THE MAGAZINE OF WALL STREET

APRIL 15, 1933

What the Roosevelt Program Will Do for Business

By THEODORE M. KNAPPEN

•

Appraising the Market Prospect

By A. T. MILLER

•

What's Wrong With Utility Stocks?

By FRANCIS C. FULLERTON

C. G. Wyckoff
PUBLISHER

VOL. 51 — No. 13

PRICE 35 CENTS

In the children's playroom on the Ile de France

INNOCENTS ABROAD

Childhood is the one time we are completely carefree . . . the one time we have months of leisure . . . and *the best time in life* for European travel.

There is nothing so broadening or so character-building, so stimulating to youthful imaginations, so satisfying to insatiable curiosity. Travel is good for children . . . especially when it is as secure and attractive as on the French Line.

Here are dozens of charming, friendly, well-bred youngsters. They have a special playroom, full of intriguing games, presided over by an experienced nurse who speaks English. Every day, there is some entertainment particularly designed for them: a new game, a trick-man, or a Punch-and-Judy show. There is a gymnasium for the older boys and girls.

And they need not leave their pets behind. "Four-footed guests" are welcome on the French Line. They receive expert attention in clean, snug quarters. The French Line is well known to travelers for its kindness to animals.

The famous French Line cooking has its special branch for children. They have their own dining-room. The most simple, wholesome foods are served, with plenty of *fresh, pasteurized milk.* Competent medical service is an added safeguard. There are sun-decks with ample, secure space for play.

This is an ideal year to give the children the permanent advantage of a trip to Europe. Any travel agent near you will (without charge) gladly arrange a French Line trip for you and your family. French Line, 19 State Street, New York.

French Line

ILE DE FRANCE, April 29, May 27, June 17 • PARIS, April 18, May 19, June 10 • CHAMPLAIN, April 22, May 13, June 3 and 24 • LAFAYETTE, May 6, June 8 • DE GRASSE, June 20 • ROCHAMBEAU, May 16, June 22

Member of Audit Bureau of Circulations

CONTENTS

Vol. 51 No. 13 April 15, 1933

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, Adjustable Stock Ratings, issued monthly and the Investment and Business Forecast, issued weekly.

Copyright and published by the Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y. C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. Edgar P. Hildreth, Secretary. Frank R. Donovan, Business Manager, Thomas F. Blissert, Financial Advertising Manager. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

ADVERTISING REPRESENTATIVES—Pacific Coast, Simpson-Reilly, Bendix Building, 1206 Maple Avenue, Los Angeles, Russ Building, San Francisco.

SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign and Canadian $8.50. Please send International Money order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4. England.

Cable Address—Tickerpub.

WITH THE EDITORS

Sound Security Regulation Need Not Be Feared

IN the flotation of securities for the public's investment purchase and in the regulation of subsequent dealings in them on the stock exchanges it may as well be realized by Wall Street and the public that we have come to the end of an era and that a definitely new conception of social responsibility is at hand as regards such matters.

Never again will the loose methods of exploitation prevalent in the boom days, when any security from a speculative common stock to an equally speculative foreign bond could be offered with glowing and none too well supported promise by the promoting underwriters, be permitted. To the correction of this abuse the vigorous and speedy attention of the Roosevelt Administration has been properly turned. From now forward the seller, as well as the buyer, of securities must beware.

With the general principle of enforcing soundness and honesty in security dealings, as far as it is humanly possible, there can be no dissent. Prominent investment bankers have already shown themselves in wholesome accord with the underlying purpose of the Roosevelt program, many having endorsed it publicly.

It is one thing, however, to conceive of a major reform of this sweeping character and quite another to work out the necessary remedial legislation along sound and practical lines. There could be no more complex or delicate problem for members of Congress, many of whom at best are far from expert knowledge on the subject, to struggle with. In the present setting, when vast economic uncertainties prevail on all sides and when the security markets need all legitimate encouragement, it would be unfortunate and highly dangerous for Congress to take too hasty action.

As this is written the original Robinson-Reyburn securities regulation bill is already receiving reconsideration in committee and there appears to be promise that some of its more objectionable features will be omitted. This is imperative if the measure is not to go far toward defeating its underlying objective by inflicting needless damage upon the present investment markets and upon investors themselves.

In the liability of bankers and of corporation directors a clear distinction should be made between innocent inaccuracy in security registration statements filed with the Federal Trade Commission and fraud or gross negligence. The requirement of the present bill that each of the forty-eight states which have regulation as to new offerings must approve an issue before it can be advertised or offered in any state seems needlessly cumbersome and severe. Moreover the proposal that registration of a qualified security may be revoked if it appear that the "business of the issuing corporation or the security is not based on sound principles and that revocation is in the interest of the public welfare is open to question." This would place a fantastic and impracticable responsibility of infallible judgment in the hands of fallible Federal officials.

Time should be taken for thoughtful consideration of all defects. Otherwise legislation which has inherently wholesome and desirable safeguards within it may offer a serious threat, rather than a protection, to legitimate investment savings. In striking down the guilty we must not harm the innocent.

In the Next Issue

Did Banking Moratorium Establish Low Point of Business Activity?

By Charles Benedict

Has Liquidation Been Completed?
How Close Are We to a Balance between Production and Consumption?
How Serious Is the Threat of the Mortgage Situation?

What the New Security Laws Mean

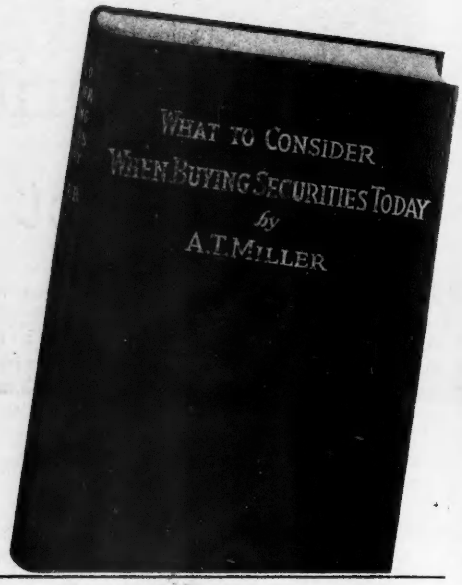
To Business **To Investors** **To Wall Street**

How Railroad Legislation Will Affect Investors.

By Pierce H. Fulton

It Costs You Nothing to Obtain these Tested Investment Methods

Timely, practical and simple—the principles set forth in this new book can be equally profitable to the newer investor and the experienced trader alike. They provide a direct and usable investment technique particularly adapted to today's markets.



What to Consider When Buying Securities Today

By A. T. MILLER

160 pages, flexible blue binding

Here, the author of The Magazine of Wall Street's *Fortnightly Market Forecast* explains this whole profitable subject so that it may be readily understood and its methods applied to the individual needs of various investors.

Beginning with a practical discussion of the pros and cons of practical dynamic economics, he takes the reader through the important phases of currency and credit inflation. Then he discusses the advantages and disadvantages of various types of securities as a result of the current business situation, together with the factors to be considered in taking advantage of speculative and investment opportunities in bonds, preferred and common stocks. The entire field of investment and profit opportunities are covered, and include valuable points in detecting buying, selling and switching signals.

This book is, we sincerely believe, the most valuable and useful of the many we have published. Its principles, used in conjunction with The Magazine of Wall Street, should enable you to profit to the utmost from your present holdings and by coming opportunities as they develop.

You Can Have This Book— Free If You Subscribe Now

This book is not for general sale. It is offered to readers of The Magazine of Wall Street with their subscriptions. You can secure a copy by entering or extending your subscription now.

Enjoy the Privileges of Our Personal Inquiry Service—Free

The Personal Inquiry Service is at the command of subscribers to The Magazine of Wall Street—and subscribers only. It is ready to reply by letter or by wire at any time concerning securities you hold or consider buying. We only ask that inquiries be limited to not more than three stocks or bonds at any one time to facilitate prompt replies. This service alone may repay you many times over the cost of a subscription by just one suggestion or opinion.

CONTENTS

1. **Sound Basis for Current Investment**
   —Practical dynamic business economics.
   —The consequences pro and con of currency and credit inflation.
   —Investment opportunities born of the business depression.
2. **The Basis for Common Stock Selection Under Present Conditions**
   —Simple methods essential to successful investing.
3. **A Simple Explanation of How to Read and Profit by Financial Statements**
   —How to judge a company's current strength.
   —How important is book value today.
4. **The Value of the Technical Position**
   —Quick or long range profits.
   —The various long and near-term movements of securities.
5. **Why a Study of Group Movements Is Essential to Successful Investing**
6. **Basic Principles for Determining Individual Profit Possibilities in 12 Leading Groups**
   —Merchandising Stocks —Tobacco —Tires
   —The Steel Group —Railroads —Accessories
   —The Petroleum Group —Automobiles —Sugar
   —Non-Ferrous Metals —Public Utilities —Leather
7. **How to Gauge Speculative and Investment Opportunities in Bonds**
   —What constitutes safety of principal.
   —Selecting bonds from the low-priced list.
   —Judging foreign bond values.
   —When to look for profits through receiverships.
   —Opportunities in railroad bonds.
   —Detecting the real opportunities for profit in bonds.
8. **Investment Trusts—Fixed and Management**
   —Rules to apply in selecting Investment Trusts.
   —Important chapter on a form of investment which may again become very popular.
9. **Most Practical Investment Program for the Married Man —Between 25 to 35—35 to 50—50 and Up.**

------------------ ***Fill in and Mail this Coupon NOW*** ------------------

4-15-M.

The Magazine of Wall Street, 90 Broad Street, New York, New York.

Enclosed find my remittance of $7.50 for which enter subscription for THE MAGAZINE OF WALL STREET for one year (26 issues) and send me a copy of A. T. Miller's new book, "What to Consider When Buying Securities Today," free.

Name ______________________________

Address ______________________________

(Canadian postage 50c a year. Foreign $1.00)

City and State ______________________________

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

The Trend of Events

—Speeding Up and Cleaning Up

—Unify the Banking System

—Back to Gold

—Liquidating Commodities

—The Market Prospect

SPEEDING UP AND CLEANING UP

AFTER six weeks' observance of the new administration, regardless of one's political proclivities, it is apparent that a strong and determined hand is at the nation's helm. There is no lack of evidence that President Roosevelt has carefully weighed our major problems and set a course of action in accordance with strong convictions from which he will not be deterred. Those who believe that bargaining for individual or group advantage can be undertaken with any prospect of success have sad awakenings before them. He does not hesitate, if circumstances justify, to override special interests no matter how highly placed. It is, on the contrary, quite obvious that the President is concerned solely with the general good. All of his actions and announced policies are for the benefit and protection of the people as a whole.

He is conscious of that laxity in ethics which had crept into many business practices hand in hand with the excesses of the boom and he is not lacking in the courage to expose and correct them. This is borne out in his attitude toward the Senate investigating committee on banking and security practices and in his advocacy of the stringent security laws. The legislation now being formulated to supervise and censor food and drug advertisements is further indication of his will to eradicate malpractice and raise the standards of business.

Although his time in office has been exceedingly brief—his dynamic action from the moment he took the oath has electrified the country. Business is not only to be speeded up but cleaned up at the same time—a dual process from which every right-thinking citizen can take heart.

UNIFY THE BANKING SYSTEM

IN the reorganization and reopening of closed banks, both under Federal and state direction, gradual and encouraging progress is being made. Perhaps this is as much as could have been expected within the brief space of time which has elapsed since the banking holiday, but in the present period of realistic grappling with the banking problem it is well to recognize that only a start has been made and that reform, both temporary and permanent, must be pushed with all possible urgency while the vigor of

prompt and direct Federal action is at its height. It cannot be too strongly emphasized that our record of banking failures is appalling, as compared with the stability of more unified systems in other civilized countries. We have too many banks and too divergent policies of governmental control. The first remedy is to force all sound banks into a unified system of Federal control, a structure for which is already established in the Federal Reserve System. In the opinion of counsel for the Reserve Board, Congress possesses power to bring this about. Such a policy is strongly supported by the banking authorities of New York State, the State Banking Board having recently sent a resolution to Congress favoring the requirement "as soon as practicable of compulsory membership in the Federal Reserve System of all banks and trust companies of this state." This declaration by New York authorities should carry great weight. It is only after unification of all banks within the Reserve System that practical attention can be turned to the general problem of safer and more stringent regulation of all banks.

If the present proposals for legislation under which depositors of Federal Reserve member banks would be protected by a 2-billion-dollar "insurance" fund are adopted, the effect possibly would be virtually to drive all state banks into the Reserve System, for they would otherwise lose depositors who would desire the added protection. Details of this plan are not yet clarified but its sponsors assert it is not a direct and complete Governmental guarantee of deposits, but, rather, a mutual guarantee scheme. It would be administered by a separate corporation with an initial 500 millions of capital, with authority to issue bonds up to a total of one and one-half billions. The Reserve banks would subscribe approximately 150 millions and the Treasury 150 millions. In addition, member banks would be assessed a sum not to exceed 1/4 of 1 per cent of deposits. Many details need to be clarified before the project can be endorsed in full.

BACK TO GOLD

FOLLOWING the abandonment of the gold standard by England and a large part of the world in the fall of 1931, there has been increasing agitation that the metal should be abandoned altogether as a currency base. It was claimed, with considerable logic it must be admitted, that artificial restrictions in the way of tariffs, quotas and embargoes to the free movement of goods throughout the world had made a mockery of the gold standard. To remedy the apparent breakdown of gold, all kinds of proposals were made. "Managed" currency advocates were to be found in every country including our own. The London Chamber of Commerce proposed the "bartex," a unit of exchange to facilitate barter between nations. Here in the United States, despite the fact that of all countries we were the most able to maintain a gold standard, the "commodity" dollar, the "electric" dollar and a dozen other kinds of dollar all had their sponsors. Now, however, there appears to be a distinct and world-wide swing back to gold. The voices raised in England against the gold standard are now less clamorous. From the fertile brain of John Maynard Keynes, who recently characterized gold as a "barbarous relic," comes a plan for an international note issue based on gold. Can it be because the Bank of England's gold holdings are now the highest on record that there is more talk of an early resumption of the historic standard? How swiftly the situation changes. Less than four months ago the gold holdings of the Bank of England stood at less than £120,000,000, the lowest figure for well over twelve years. They are now more than £177,000,000. Moreover, these holdings are valued at par. If valued at the current premium on gold today's holdings amount to approximately £250,000,000, or sufficient if the pound were stabilized on gold at present levels to afford a 70% coverage for the note circulation. While the changing sentiment towards gold in England is considerably the more important and will probably lead the way for other nations, we are not without signs that the change in the attitude of these others is actually taking place. Nevertheless, although it may seem curious that a world which has maligned gold so loudly and so long should be returning to it, there is a great deal of precedent for the curiosity. In every past depression the world has blamed gold, has been upon the point of casting it into the nethermost pit, only to relent at the last moment and recognize it as the most satisfactory international standard.

LIQUIDATING COMMODITY SURPLUSES

WHATEVER differences of opinion there may be as to the soundness of the general Roosevelt program of farm relief, its apparent abandonment of the former policy of holding crop surpluses off the market by means of either Government loans or direct Government holdings is a step in the right direction. The Farm Board's operations in wheat, for example, not only resulted in huge losses for the taxpayers, but, perhaps more important, served as a constant factor of speculative uncertainty in a market in which normal speculation is of legitimate public value. Henry Morgenthau, Jr., Farm Board chairman, has now announced a program of speeding up liquidation of commodity holdings of co-operative marketing associations which have been pledged as collateral for Farm Board loans. Such commodities have in many instances been held for a long time. The loans on them as of February 28 amounted to slightly more than $157,000,000. The present effort is designed to enable the Government to recover as much as possible of its loans without unduly disturbing the markets. That is quite a problem, but its solution will make for greater confidence in the commodity markets.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 658. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, April 10, 1933.

As I See It ~ By Charles Benedict

Prompt Action Is Necessary

BUSINESS having failed to meet the emergency collectively, the inevitable has happened. The Federal Government has had to act and compel what could have been done voluntarily. Now, industry must accept a shorter work-week enforced under the whip of law. The proposed law recently passed by the Senate but not by the House at this writing, forbids the shipment in interstate commerce or foreign trade of any article in the production of which any employee has worked more than thirty hours in a week. And how it will be enforced! No prohibition enforcement farce here! The Government will have 13,000,000 in the ranks of those with employment to watch for infractions.

True, in many instances such a law will be found to defeat its own intent; nevertheless it must be approved. Distribution of work and income is the only fair, humane and rational way of meeting this emergency. No employer who has not already applied the principle voluntarily has any right to protest or even to complain. He helped mix the medicine he must take.

For more than two years this Magazine has been appealing to employers to use their hearts and heads—to act voluntarily in dealing with this emergency because there could be no end to the depression until idle men were put to work. Unemployment transcends all other problems in importance. In 1931, a seven-hour day and a five-day week would have sufficed to take care of all the unemployed. Had industry had the gumption and the sense to act together and reduce working hours, an incalculable amount of human misery, social dislocation and deterioration might have been avoided; and business maintained somewhere near the higher level that prevailed at that time; for the contraction of purchasing power could not have proceeded with anything like the present rapidity.


H. Armstrong Roberts Photo

Although it may be theoretically true that the purchasing power of a 25-billion-dollar payroll is no greater for 30 million workers than for 15 million, it is in practice much larger in the first instance than in the latter. Savings would be less in the total and current expenditures would be larger. Moreover, the adoption universally of the principle of more evenly distributed employment would have given a degree of confidence in the tenure of the job, and every man at work would have naturally spent more and hoarded less.

Yet, despite all entreaties, and every non-governmental effort, to distribute employment so that everybody in America might participate in what national income there was, very little progress was actually made in spreading the work.

If business had been willing to face the facts a shorter working period was inevitable in any event, due to overmechanization which even in the boom was rapidly reducing the human element involved in production. As a matter of fact, we knew in 1931 that if necessity dictated we could even achieve the production level of 1929 without re-employing on full time all of the millions of people then out of work. Later the condition of permanent overproduction was accentuated by the contraction of consumption.

Those employers who combated the shorter working hours did so mainly because they feared that this change would become permanent, while the reduced pay unit would be temporary. But, that is as it should be—the time has arrived for just such changes. If we are to make any progress we must once more have a broad distribution of wealth—in fact, I might say a broader distribution of wealth than we have ever known before.

Our prosperity is to a large degree based on luxury buying and the leisure time of labor, under a shorter working week, would ultimately, if not at once, be conducive to a resumption of this luxury buying. There is no escape from the inexorable trend in which the employee is bound to secure a greater percentage of corporate revenue than heretofore. Labor costs will mount but so will purchasing power, and markets will broaden accordingly. Moreover, there will be less need for capital expansion—and certainly we are not going to resume the building of factories abroad, which have not only decreased the just profit of domestic industry, but ultimately caused the sacrifice of the investment. As these things are recognized it will become more apparent that the size of the collective payroll is the measure of the duration of prosperity.

From what we have seen of President Roosevelt we know that he means exactly what he says,—that when he grows impatient with the bargaining and dilly-dallying of various interests he will act as he has in fostering recent legislation. Nothing will be long permitted to interfere with what is for the common good. From the recent attitude of the Administration it requires no stretch of the imagination to

(Please turn to page 697)

Possibility of Inflation Begins to Outweigh Effect of Actual Deflation as Market Influence. Also—

Signs of Fundamental Improvement Are Gradually Becoming Apparent and Give Hopeful Longer Term Outlook.

Appraising the Market Prospect

By A. T. Miller

FACTORS of actual or potential deflation and inflation, after maintaining a fairly narrow balance in the stock market for several weeks have at the current writing seen inflationary psychology take the ascendency. Previously, for some time fluctuations both up and down had shown an almost fantastic confusion and irregularity, little apparent speculative conviction and no convincing follow-through of price changes such as would throw much light on the major trend.

In the current tentative rally there has been a substantial increase in volume, difficult to account for merely on the basis of such financial and business improvement as has occurred, and, therefore, apparently explainable only on the theory that inflationary psychology has been suddenly and vastly strengthened by the wide publicity given to agitation of this subject. Yet of actual printing press inflation, there is, of course no evidence and no one can say whether the present movement is premature. It is being led by industrial stocks, but, indicative of its confused speculative motives, has also been participated in by rails and utilities, neither of which groups would derive material benefit from inflation.

On the whole it probably may be taken as a sudden conception on the part of speculators that cash, whatever happens, has lost much of its attraction as an asset. Short-covering on a surprisingly large scale has also helped along the movement.

The suddenness of the change in mood is typical of an almost hysterical uncertainty as to ultimate Federal policies affecting the soundness of the currency. Only a fortnight previously, utilities and rails were shrouded in gloom, industrials stocks were quiet and inactive and professional traders appeared reluctant to venture from the side lines.

One group movement of interest has been relatively strong support for the sugar stocks for some time, most of these issues continuing to hold around the year's best quotations. Apparently they have attracted both speculative and investment buying on mixed motives, the movement being explained in some quarters as anticipating possible future inflation and in others as being based on a fundamentally brighter prospect for the industry, as measured by currently higher prices for the raw product and by the industry's improved statistical position, as discussed in a separate article in this issue.

For the present, also, a rise in wheat and other grains has brought moderately increased speculative activity into farm equipment, mail order and other so-called commodity stocks. By and large, however, professional interests are feeling their way and playing a "hit and run" game. The public participation is only slightly larger, despite evidence of an increased hopefulness throughout the country.

As is to be expected, the eyes of all are turned upon developments at Washington. Although the Roosevelt program to date commands the confidence of the public, it is in a continuous state of evolution and remains to be clarified on many problems. It is only since the banking holiday and the startlingly fast action taken thereon that Wall Street and the public have come to some realization of the vast implications and possibilities of the "New Deal" as touching upon economics, finance and the security markets. While the change is regarded with hope, it also has an obviously sobering influence upon investment and speculative judgment, for when what appears to be something of a new order is at hand, the experience of the past offers no sure guidance as to the future.

Undoubtedly it is largely due to this new adventure in government that both security markets and business tend to be hesitant, cautious and watchful, hoping for some clue as to the major direction in which it will take us and as to the character and timing of the ultimately expected artificial effort to stimulate business.

In matters of new financing or any long maintained speculative operations it is probable that decisions generally will await specific clarification of the pending legislation designed to prevent speculative and financial abuses of public confidence. The detailed complexities involved in sound regulation are recognized to be enormous. So are the complexities of coming international negotiations and of the announced effort to devise acceptible reciprocal tariff adjustments. Vast problems of artificial aid for farm commodities, of unemployment relief, of permanent banking reform and of adjustment of excessive debts, both real estate mortgage and corporate, will remain with us for some months at best.

There is an apparent growing consensus of opinion that if natural, internal revival of business does not take convincing shape meanwhile, direct and positive efforts of governmental stimulation will be tried, perhaps by next autumn. It is believed that President Roosevelt hopes to base the effort on sound government credit, on borrowing and on spending.

Inflation Talk

It is because of this probability, as well as much irresponsible Congressional agitation for more direct inflationary methods, that talk of inflation and conjecture as to inflation do not die even in the present period when obvious deflationary adjustments are under way and when they may last for several months.

This situation is not an easy one in which to take prompt action looking toward protection of capital funds. Against

the possibility of a broad currency depreciation, in which virtually all classes would necessarily suffer, there is no ideal solution for the investor. He can only take the best means available, and that is physical possessions, convenient representation in which may be had in sound common stocks.

We are analyzing such stocks from time to time, five being found in this issue, on the double basis of promising recovery under normal economic revival or protection against inflation. Under present conditions we see no need for further delay in their accumulation.

So much interest is centered on the immediate fluctuations of securities that these tend to obscure the longer trend. It is interesting to note that, regardless of fairly wide rallies and reactions, as well as of great irregularity as between different groups and different issues, the market's actual average price level has not undergone important net change in a period of nearly six months, the average price for all shares being within three or four points of that prevailing last October.

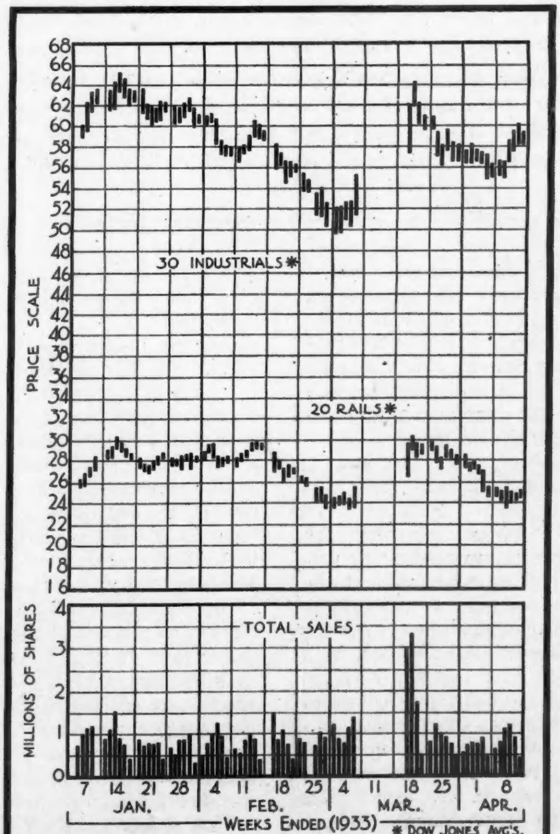
Changing Trend?

It is also apparent that the volume of transactions has tended to grow rather steadily smaller, indicating an aggregate drying up of liquidation and of speculative interest. Continuance of such a generally flat price trend through the summer, without violation of the average level of last June, could undoubtedly be regarded as marking a probably definite change in the bear market pattern.

Technically, that pattern was broken during the fourth quarter of last year, when for the first time in three years of depression a fourth quarter failed to carry the market to new lows. The previous pattern had been first and third quarter rallies, exceeded by second and fourth quarter declines, in line with the normal seasonal impulse of business.

The sensational banking difficulties prevented any first quarter rally this year. As we enter the second quarter, another important test both of the market and of business is at hand.

Both production and distribution indexes are showing improvement at this time. The gain is moderate and may or may not prove significant. In some part it is a normal rebound from the sub-depression stagnation of the banking holiday. In some part it may be the postponed seasonal impulse normally felt during the first quarter. Also, in part, it is curiously mixed with the question of possible inflation. Thus, a sharp demand for cotton goods has set in within the last week, yet mill production has dropped because manufacturers are reported reluctant to sell for future delivery, even two months ahead. The grain markets have advanced to new highs for the year, with wheat currently 12 cents a bushel higher than before the banking holiday. This movement has all the earmarks of a rampant speculation. In broader commodity indexes, ignoring the speculative commodities, there is little evidence of significant price change.



The automobile industry is feeling a postponed seasonal demand which has lifted production sharply, but the gain, of course, was from a level of only 10 per cent of capacity. Production of General Motors' largest selling model was slightly higher in the first quarter than in the first quarter of 1932. The industry as a whole, however, remains well under the level of a year ago. Partly because of the gain in automobiles, the steel industry has lifted operations from 15 to 16½ per cent. The usual March peak probably will be seen this month.

Car loadings have narrowed the gap from the very low loadings of a year ago and on the average are now only some 7 per cent under the 1932 figure. It appears possible that within the second quarter this gap will be virtually closed. The thirteen shippers' advisory boards of the country, indeed, have estimated that the second quarter loadings should be only 0.3 per cent under those of 1932. Moderate current improvement also is shown in electric power output, the total at this writing being 5.3 per cent under that of a year ago.

Further Easing of Money

Reduction of the rediscount rate of the Federal Reserve Bank of New York from 3½ to 3 per cent merely reflects the further easing of the money market and additional general banking improvement. Circulation has fallen by an additional $92,000,000, gold holdings have increased by $42,000,000, the Reserve ratio has advanced to 59.7 per cent, as compared with the recent low around 45 per cent, and member banks have repaid an additional $109,000,000 of their borrowings from the Reserve.

Despite this continuing improvement in the financial picture, average prices in the bond market have reacted virtually to the low point of the year, established just prior to the banking holiday. The significance of this movement must for the time being remain conjectural. Corporate bonds probably reflect the rather drab business situation, with rails subject to nervousness both as regards prospective earnings and the uncertainties involved in a host of plans of relief under political administration. Despite all other evidences of inflationary theory, United States Government bonds remain firm, thus giving the lie to actual inflation prospects for the present and probably for some time to come.

(Please turn to page 697)

¶ *Pressing Demands for Export Markets—Rising Nationalism in All Countries—Militarism in Germany and the Intolerable Conditions of the Treaty of Versailles Combine to Menace the Peace of the Continent.*

¶ *How Would a Continental Conflict Affect America?*

War Imminent in Europe?

By Grover C. Slater

THE Fascist revolution in Germany has been accomplished without exploding into war. The fear of an early conflict has passed. But the revolution is broadcasting the dragon's teeth of the causes of war. It has hastened the inevitable showdown between France and her allies and Germany, and between France and Italy. It compels a new international deal in Europe or war.

France dominates Europe today, Germany aspires to dominate it tomorrow. There can be no compromise except one based on a partnership in hegemony, in which France would be the junior partner. To establish such a union, France would have to desert her allies. Poland, Czechoslovakia, Jugoslavia, and Roumania would have to be thrown to the German lion. Austria would be permitted to merge with Germany in accordance with her wish, the Polish Corridor would be wiped out, divided Silesia would return to Germany, Czechoslovakia would be dismembered. In the present temper of Germany, no ultimate compromise is possible. Force is the law and Mars is the bailiff.

The triumph of militant nationalism in Germany has restored the arrogant, swaggering Germany of the Kaisers, with the decision for war or peace even more concentrated in despotic hands than it was in 1914. All Pacifism has gone out of Germany. War is glorified and openly advocated as an instrument of national policy. The nation which is fundamentally the most powerful in continental Europe has proclaimed that it intends to realize its power. It seethes with the propaganda that prepares the national mind to welcome war, it cultivates racial hatreds, international animosities and reaches "Deutschland über Alles."

Irreconcilable National Policies

Germany, Fascist Germany, purposes to become the dominant power of Europe. There is no doubt that war would be here today if Hitler had found himself at the head of a nation in military and economic readiness for the grim test of battle. He will make it ready. In doing so he runs the risk of war before readiness has been achieved. If France is convinced that Germany's policy makes war inevitable she would be militarily foolish to defer it until the possibility of victory has vanished.

France dominates Europe today, Germany aspires to dominate it tomorrow. There can be no compromise except one based on a partnership in hegemony, in which France would be the junior partner. To establish such a union, France would have to desert her allies. Poland, Czechoslovakia, Jugoslavia, and Roumania would have to be thrown to the German lion. Austria would be permitted to merge with Germany in accordance with her wish, the Polish Corridor would be wiped out, divided Silesia would return to Germany, Czechoslovakia would be dismembered. In the present temper of Germany, no ultimate compromise is possible. Force is the law and Mars is the bailiff.

But Germany in glorifying force may raise up in the world powerful moral and physical forces which she cannot defy. She may have the will to war but she may be compelled to defer it for a long time—perhaps for a time long enough to bring about another revolution in Germany.

The Threat of Absolute Tyranny

The ruthless extermination of communism by Hitler closes the door of Russia to German commercial expansion in the East. Perhaps it will turn Soviet Russia to the ancient alliance with France. The deliberate revival of the old ostracism and persecution of the Jews is causing the loss to Germany throughout the liberal world of the feeling which has become dominant in recent years that Germany was without world war guilt and punished for a crime of which she was innocent. People are beginning to wonder if after all there is not much to the French doctrine that Germany is essentially barbarian. A labor member of the British Parliament declared the other day that recent events in Germany had made the British people more pro-French than they had ever been pro-German. The entente between France and England may be revived. The free, democratic peoples of the world may have to draw together to check the spread of absolutism and tyranny under whatever name.

Germany is not the only power that is determined to

abolish the hegemony of France. The national ambitions of Fascist and militaristic Italy are blocked by France and her allies in southeastern Europe. France holds the gates to Asia minor with her mandate in Syria and forbids Italian expansion in Africa. Italy is bursting with a fecund population which Mussolini has decreed must break all its records of reproduction and add 17 millions of new Italians in the next ten years. All the world could not hold Manchuria against the Japanese birth-rate. Can stationary France hold out against propagating Italy? Every day brings nearer the time when France must bow to Italy or appeal to the arbitrament of arms.

Nationalism Is Rampant

The fierce revival of commercial nationalism adds to the fuel of war fires. Every powerful nation in Europe is seeking to be self-sustaining. But with crowding populations within narrow national boundaries that goal is literally impossible of attainment. Germany, for instance, has twenty or thirty million more people than could be supported without foreign trade. She, therefore, demands more territory—both adjacent and over-seas. She clamors for the restoration of her lost colonies as well as lost provinces. Trade must be had at any cost. Economic international competition is merely war without bloodletting. It fosters all the animosities, passions and inhumanities of war, and its logical conclusion is the cannon —that "last argument of kings." What is the difference between millions starving in futile idleness or dying for the conquest of a livelihood? Why should the superior Nordics perish when the world is feebly held by "lesser breeds"?

Disarmament, physical disarmament, is a waste of time and effort until there is moral disarmament. Geneva is merely a gesture of nations towards humanity, a wistful glance toward Utopia. It is absurd to prohibit war unless you can also prohibit the sources of war. The Anglo-Italian four-power pact proposal is only a temporary expedient. You cannot put a great nation into a strait-jacket even by its own consent. The collapse of the terms of the Treaty of Versailles has demonstrated that anew. There is more hope for peace in conquest than for peace by agreements that merely postpone realistic solutions. Humanity desires peace but nationalism compels war.

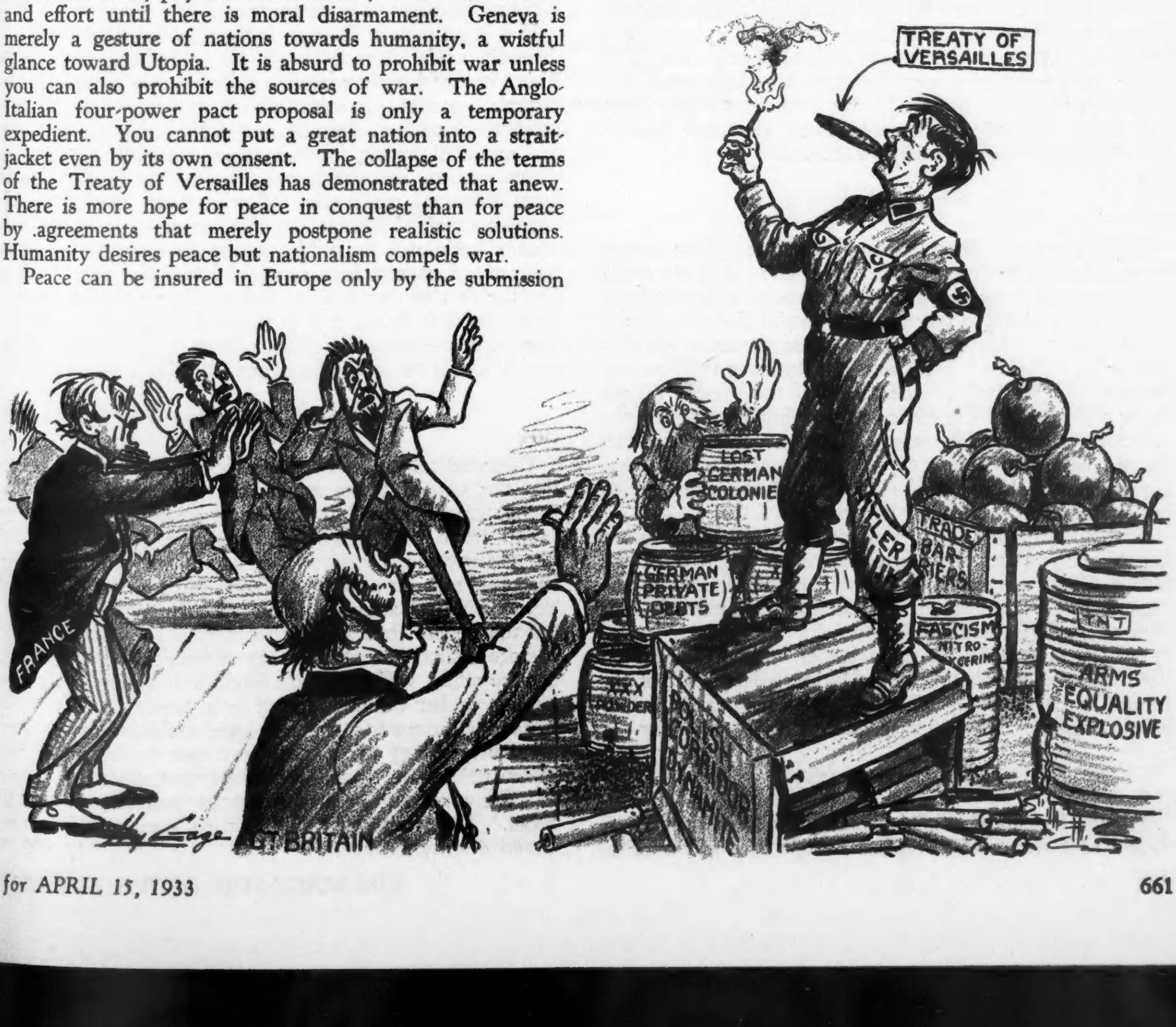
Peace can be insured in Europe only by the submission of the nations which now have the place in the sun to the behests of those that shiver in the shadow. The environment of war is promoted by the economic depression. Peace might be underwritten for a long time if a flood of prosperity should overflow national boundaries. But every day that passes raises the barriers at the boundaries. And the terrible irony of the situation is that another war might destroy all the possible loot of war, leaving the victors only universal desolation to share with the vanquished.

The Contrast of America

It is difficult for Americans to understand the problem of overcrowded and territorially circumscribed nations. Formerly their surplus population could emigrate—and did. Now all the vacant lands in the temperate regions are barred to the would-be emigrants. They cannot export themselves, and the only alternative is to export their labor in the form of goods.

We are so fortunate as to own the better half of a continent. We have within our borders a domestic trade and its resources that approximate an almost complete economic unit of great magnitude. It is capable of much greater development, and at the same time our population begins to become static, giving promise that our own numbers will not force us to lower standards of living. We are not in essential need of forcing foreign trade. What we must have from other nations can easily be balanced by what they must have from us, which is the true basis of peaceful and mutually beneficial international trade.

It is true that we have made the mistake of forcing exports by financing their purchase thus creating for ourselves the embarrassing position of a creditor nation which will not accept payment in goods it does not need. The



mistake has had the further effect of financing other nations to take over a part of our natural foreign markets. It is too late to remedy this error, but not too late to draw back from further efforts to destroy our blessed economic independence. We can at least stop further progress in the direction of international dependence and the bitter complications our friends across the seas are compelled to endure.


Wide World Photo

Opening of the Reichstag at Potsdam

In the present mood of America Europe might go up in smoke and flames before it would intervene. But could we hope for some blood money from the struggle? We recall the 17,000 millionaires the World War made. The chances are that there would be none. The national conscience would insist on an embargo, on all munitions of war. But if it did not, the recollection that the American profiteers who waxed fat got their millions from the billions the rest of us lent to the Allies would be equally efficacious. We have had all the bought-and-paid-for prosperity we want. We are through taking money out of one pocket to get it back in the other in worthless I. O. U's. We could not refuse orders for non-contraband goods, but except to a very limited extent they could not be financed without the credits we would not risk. Even that degree of financing would involve a disastrous liquidation of foreign-owned American securities.

An Export Opportunity?

To be sure, as before, we would step into the export vacuum left by a Europe absorbed in war. But we could not go very far without providing purchasers with cash from our till with which to take goods from our shelves. We're about through with that form of trade nonsense whether in war or in peace. With our private loans in Germany currently jeopardized by the tenets of the present regime there and with all the difficulty that has surrounded the collection of other obligations of foreign debtors, it is but natural that the American people as well as the Federal Government would be unusually wary of financing foreign purchasing or extending further loans.

Such an attitude, in fact, is already manifest in the recent Senate proposal to ban further loans on the part of the United States to any country who are in default to the American Government or its citizens. Apparently our days of profligate lending are over.

On the other hand in the event of widespread war on the Continent we would be sure to lose a large part of the normal trade we enjoy with Europe—which takes half of all our exports. After Armageddon it could take none.

Long-term Benefits

All the benefits that might come to us from such a war would be a free field to replace Europe in world trade in the decade to follow. But being to self-contained as we are we could but slowly build up imports unless we were prepared to sacrifice our agricultural and raw material industries to finance and the manufacturing industries. That we will not do. Neither will we sacrifice our manufacturing industries to prevent a war by giving Europe a market here that would relieve its economic pressure towards war. War—a long and devastating war—would be the end of modern Europe, and without any net gain to us. It might, indeed, leave us single handled to fight some new Ghenghis Khan, come out of Russia or the Mongolian lands for world conquest.

A short, sharp decisive war in Europe would give us some blood money but not until after such a hiatus of panic and commercial paralysis as we endured in 1914, when the stock market was closed for months. Should such a war re-draw the map of Europe on something like the pattern of a United States of Europe we could hope for eventual benefits—at a remote time.

If a large part of Europe became an economic unit the domestic trade thereof would be enormously expanded. This powerful unit would require larger quantities of American goods of the sorts that we need to export—mostly agricultural and semi-finished manufactured goods. It would find means of paying for them beyond credits arising from direct exports, through transferring to us credits arising from increased trade with other nations. For example, suppose a unified Europe should increase its favorable balance of trade with Brazil by a hundred million dollars while its excess of imports from us increased by the same amount. On the further assumption that the balance of trade between us and Brazil was a hundred millions against us, Europe could assign its claim against Brazil to us and accounts would be squared without resort to cash.

We Could Not Afford It

Parenthetically, this hypothesis gives rise to the thought that the United States might contribute to the economic foundation of peace by abandoning all forced competitive export trade. We might even visualize Europe, freed of our competition, paying off its war debts without raising the vexed transfer problem. We are fated to lose the forced export business anyway. This speculation is interesting, but too remote from present realities to be weighed in the balance against the chance that another war would bleed Europe white, with no Uncle Shylock or Uncle Sam-aritan binding up her wounds for pelf or in mercy.

Even if Europe in a death struggle could find some miraculous way to pay for a boom here that would give us another millionaire crop, we could not afford to have it. We could hardly survive another war—and after-war boom. The aftermath would ruin us, even as the conflict would destroy Europe.

What the Roosevelt Program Will Do for Business

—Restore Financial and Commercial Confidence

—Deflate 1929 Debts to 1933 Income

—Establish New Price Level

—Balance the Federal Budget

—Unshackle International Trade

—Put Men to Work

By THEODORE M. KNAPPEN

WHAT the Roosevelt program of legislation and administration will do for business depends somewhat upon what one means by business.

If you were to listen to the special pleaders of various business groups who now throng Washington, you might conclude that the Roosevelt program would ruin business. Some meat packers, millers, spinners and weavers, cotton merchants and ginners, range cattlemen and sheepmen, security and produce exchange members, bakers, state bankers, brokers, investment bankers, public utility executives, railway men and miscellaneous groups will tell you that the Roosevelt program spells hardship for them. Doubtless, they are more or less right, depending upon how much they are able to separate their special individual or trade business interests from their business interests as citizens—as units in the national whole of business.

To the President the word business would mean broadly the general economic life of the people. Everything he is now doing or trying to do is intended to improve that phase of the common life. Whether he will succeed is quite a different question.

But let us let it go at this—that the President is simply doing his level best in frantic haste to improve the common business life. He regards it as a tense race against time—to head off new and greater disasters.

First Things First

The utterly obvious first thing to do on March 4 was to stop the bank panic, save the gold standard and reopen the sound banks at the earliest possible moment in an atmosphere of confidence, strengthen and reorganize as soon as possible the banks that were worth saving and put the others out of their misery as painlessly as possible. The critical part of that task has been accomplished, and the rest is on the way. It is hardly necessary to expatiate on what the rout of the bank and money panic means and will mean to business. Then came the courageous and audacious moral balancing of the budget by the "impossible" excision of 400 million dollars from the pension rolls. The Government, it has demonstrated, could make ends meet.

The next step along this line is to pull out the roots of loss of public confidence in banks and other essential institutions of the business world. It includes the bill now before Congress for the regulation of the sale of securities in interstate commerce. It will be followed by a bill for the Federal licensing and incidental supervision of stock exchanges and also by a bill intended to draw a definite line between commercial and investment banking, the principal object being to get the commercial banks completely out of the securities promotion and distribution field. These are considered by the President to be measures in the best interests of business, however much friction and change they may require at first. They are, he thinks, an essential part of the campaign for restoration of confidence throughout the financial world. Just as people are wary of banks when they fail daily, many of them in a stench, so they will be wary of security exchanges, their members and machinery, investment houses and their offerings, until they have a crisp new bill of health.

Next, after measures looking to the restoration of faith and confidence in banks, the integrity of investments and fair and honest treatment of investors come quick aid for the railways, debtors, the unemployed, and the farm group. The objectives here are somewhat mixed. In one sense they are deflationary—in another inflationary.

Helping the Railways

The immediate business effect objective is to establish a reasonable approximation of price levels through measures that hasten natural price deflation here and encourage inflation there.

Transportation rates have not been deflated during the depression; on the contrary they have been inflated. Impoverished business is paying more for railway freight charges than it was in the height of the boom. Many industries complain that the railways are actually being subsidized at their expense. They clamor that lower railway rates are indispensable to a new start in business.

At the same time the railways are crushed with boom-time debts and debt charges in a period when their gross revenues have fallen 50 per cent. notwithstanding higher rates.

To get this hump out of the price level plane—and at the same time rescue the railways from a poverty that is debilitating them and the whole economic life of the country—it is necessary to deflate railway expenditures and debts. This means a swift reconstruction of the railway financial structure. Hence the intense and feverish interest of the administration in rushing through Congress at the

earliest possible moment legislation that will temporarily, at least, untangle the railway situation which has become more and more tangled with years of talk. It is not so much that an ultimate solution may be effected now, but that the results of such a solution may be realized at once—not next year, or some time, but right now. A hundred years of banking intricacy, inefficiency or rottenness was put on the way to final cure and brought to immediate relief within a period of a few days. It is proposed, once the method has been determined and the applicable processes thought out and drafted, to change the whole aspect of the American railroad problem almost as quickly and dramatically as the banking scene was revolutionized. This will probably involve more direct cash help for the railways—perhaps something sensational.

Before this is in print we may have something like a benevolent dictatorship of the railways, composed of a chief co-ordinator and several regional authorities with all the power of the Federal government mobilized to expedite consolidation of systems; rescue them from their financial ills, competition and duplication of services, plants, and equipment. The whole transportation complex of the nation will be co-ordinated, or put on the way to co-ordination through the laboratory of an experimental co-ordination. Steamships, trucks, buses, lake and river transport lines and even airlines will be included in the experiment which is expected to evolve into a permanent institution.

The objective, it should be remembered, is friendly—it is to regenerate the railways, to solve their problems, to save them for their patrons and the millions of investors who own them.

"Made Work" Helps Some

Little direct benefit to business is expected from the already adopted plan for unemployment relief through enlistment of a civilian army of 250,000 men for "made work" in the public forests and other public properties. This may be described as an admirable way of taking men out of charity and letting them earn their keep until the clouds roll by. The $100,000,000 a year or so that may be disbursed is an insignificant drop in the empty business bucket, but it will abstract some of the visual gloom from the economic picture. It will have lasting ameliorative social effects and will go far to remove the hordes of wandering youths from the highways and byways.

It is to be noted, however, that it will loose whatever money it does just where there is the most urgent need for cash, and where a little cash helps the most—in the remote regions and small towns. A few millions of dollars in the cashless forest regions of the country—and they are one-fourth of its entire area—will do more substantial and moral good than a much larger sum in the cities.

French Photo from Nesmith

Forecast for months, but still in formulation, is the rather grandiose idea the President has fondly incubated of planned regional regeneration and industrial decentralization through national leadership and financing. It is best visualized, though vaguely, in the inspired talk of power development and reforestation in the Tennessee Valley. It seems to be more of an experiment in state socialism than a promising venture in business recovery. Neither power nor baby forests can mean anything, as such, to the Tennessee valley in this economic cycle, but the scheme promises some more made work and may be a psychological factor in building up a mood of creative enterprise. It and parallel schemes which seem to involve more public debt and superfluous works may be worth while as dynamos of ambition, optimism and constructive enterprise. "Without vision the people perish," is as true in economic as in spiritual life.

Farm Relief is Business Boost

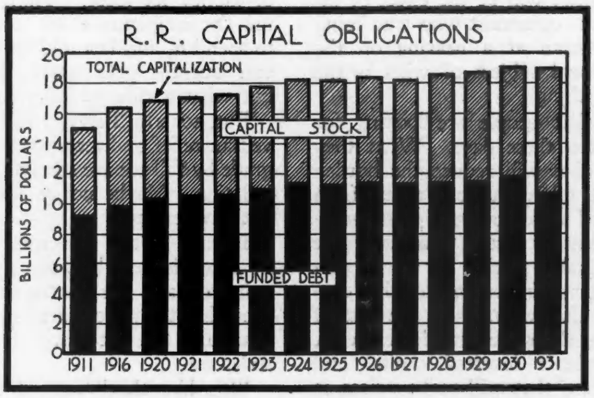
The farm price relief plan will probably be adopted by the time this article is read. It is about the most contentious item in the whole Roosevelt emergency program. Maybe it won't work but it is considered by the President to be about the most promising positive feature of his immediate program for the stimulation of business. It aims at doubling or even trebling the present prices of a number of specified staple agricultural products, notably hogs, wheat and cotton, by giving to the farmers the proceeds of a tax on the processors of those products for domestic consumption. The ultimate consumer will probably foot most of the bill but it will not bear down on each individual as heavily as has been feared.

Roughly, the legislation might transfer a billion dollars of purchasing power from the city to the country. The gross farm income in 1932 was 5,200 million dollars. Increase that income a billion dollars and the farmers will disburse 20 per cent more—and it will be spent at the weakest point in the whole economic line. It would mean the return of the farmer to normal trade channels from which he has almost retired—payments on account to storekeepers and machinery merchant payment on account of loans, new purchases, taxes. The whole scheme may be dubious, but if it means a billion dollars of purchasing power for the farmers that would not otherwise be exercised it means a billion dollars for business in general—maybe powerful business starter.

Most intimate is the relation between business improvement and lightening of farm and home mortgages. At its present volume of around 50 per cent—and less than 50 per cent in income American business—the common economic life—simply can't pay 1929 mortgage interest. Until impossible debt is deflated there can be no buoyant business revival. It is not a question of ethics at all. Even if every debtor in America were determined to meet the

last cent of his indebtedness at compound interest, let the heavens fall, he could not do it unless business revives—but business will not revive while it is choked by debt. The deflation of debt is inescapable. It has come, is coming and will come, without or with legislative processes. The quicker it comes and is over the better. The amended bankruptcy law has put the skids under personal debt.

The President's mortgage legislation proposes the dispose of lien debts as an intolerable burden at once. The plan is in general to leave the principal of farm and home mortgage debts alone and reduce the interest rates heroically. To the farm mortgagees the government will say: Take your choice and exercise all your rights under your mortgage and the laws—and take a chance in losing out in the end; or, take a sure thing conversion of your legal right to a scrap in the courts and a gamble with the future ups and downs of real estate and business. Uncle Sam will gather in those mortgages that worry the mortgagee and crush the mortgagor. The lenders will get Federal Land Bank bonds at 4½ per cent as against 6 or 7 —may be 8 or 10—on their present mortgages, but Uncle will guarantee the interest. In the farm loan conversion process two billion dollars of bonds will be required and some hundreds of millions of cash will have to be found by the R. F. C. When this principle of interest reduction comes to be applied to home mortgages the conversion bonds may mount to untold billions.



There will be some market flotation of bonds to handle cases where exchanges of mortgages for bonds cannot be effected. It is hoped within a year or two to clean up a mortgage mess that may otherwise litter the business landscape with sorespots for ten years to come. Concurrent with increased prices through commercial farm relief legislation, the mortgage overhauling holds out a prospect of more farm income in the near future with less of it entailed for the acquisition of dead horses: money to spend and buy with now, rather than money for debt.

Prying Loose the Beer Dollars

Congress flopped around in the old procrastinating manner from December to March trying to turn out a bill to authorize the sale of beer under the Volstead Act. Every time it flopped it became weaker.

In the midst of the bank whirlpool President Roosevelt said one day: "We ought to rush through a beer law." That schooner you had today is evidence, sparkling evidence of a concrete Roosevelt achievement for business. It diffusely helps business by balancing the budget through the beer tax—yield 150 million dollars—but it is also undoubtedly giving business a smart direct filip. Possibly a billion dollars will follow the Wurzburger route into brewery renovation and building and accessory capital investments. Somewhere around a hundred thousand people are back on 350 million-dollar payrolls, and many sources of brewing materials and packaging are feeling big or little thrills because of beer's comeback. For instance: The revival of beer brings orders for 10,000 automobiles and trucks and $6,000,000 in repairs of old ones. Orders for bottles and glasses are coming through at the rate of 30 million and 15 million at a time. Business is humming in the oak hills of the South as oaks go into barrel staves, wood box manufacturers have had a big kick the last three weeks and lumber has felt a transmitted thrill. Steel, rubber, pumps, chemicals, refrigerators, rice, corn, corn products, hops, sugar, grits, wheat and barley—all are taking a nip at the beer business. Vacant stores are being opened up, cobwebbed smoke-stacks are pouring out pennants of activity. It's just the same as the discovery of a brand-new business —just as good a business starter, with the difference that it doesn't have to be forced. It may divert some purchasing power from other channels, but not much. The beer devotees will dig deeper into their pockets. It all helps to start the upward spiral in business.

Every man back at work, the savants tell us, adds three times as much to national income as he gets.

We can hardly regard the 500 million dollars voted for a donation to the states for relief of the unemployed as much of a business help. It isn't enough for a business tonic and it's no more productive than most charities. Still it will greatly lighten the load of local relief work, maintain public morale, and tend to reduce taxation. That's worth while.

On the taxation side the Roosevelt program of 800 millions dollars of economy in the administrative expenditures of government and pensions promises no further 1933 federal taxation than the beer tax. No increase in taxes is good news. It means that even the ordinary budget may not be balanced precisely in 1934, but nobody seems to worry about perfect equilibrium in that regard any more. The government has control of the ball—and that seems to satisfy. In fact, there seems to be very little squawking over the well known intention to throw some billions of borrowed dollars into the public debt account.

The Next Sensation

That brings us to the point—and Washington avers that it is so—that after Roosevelt has got his public to thinking that what he does and right are one and the same he is going to throw a whale of a shock into the ranks of economic orthodoxy. Having got the business ball nicely teed up by a thousand and one preliminaries he is going—it is declared—to smash it off with a tremendous driver of work-making, order-giving public expenditures . . . unless it takes to the air unaided.

The brain trust is telling the President that it doesn't make much difference whether it is self-carrying work or not—except that the less it is directly competitive with any functioning business entity the better it will be. The main thing, as the academic sub-cabinet sees it, is that the sums available—say five billions!—must be large enough to inspire confidence that there will be a lot of work for a long time. Never mind the details. For lack of suitable new outlets for prosperity disbursements it may be found necessary to give cash subsidies and profit guaranties to key industries to call their men back to work and start that upward spiral of jobs breeding jobs. Queer way? Maybe.

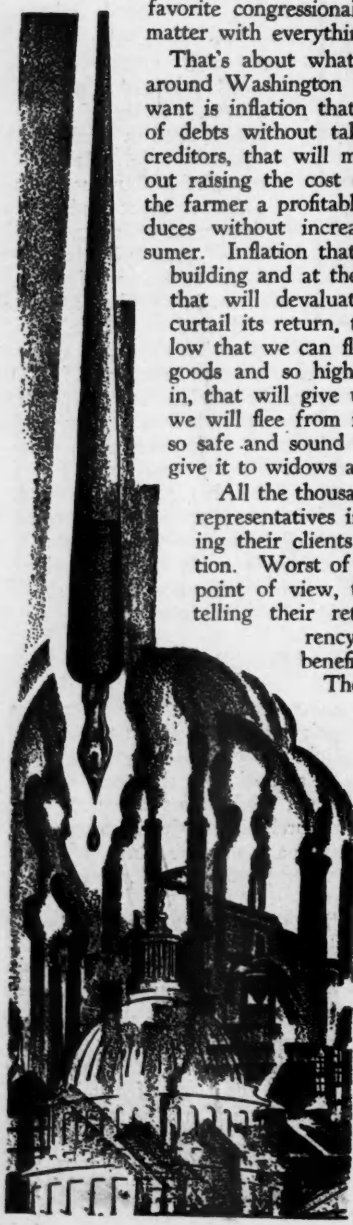
(Please turn to page 693)

Intimate Letters of a
& His New

WASHINGTON, D. C., March 31, 1933.

DEAR PERRY:

"You want me to tell you what will be the effect of inflationless inflation?" retorted an economist who was being badgered by a dumb congressman at a hearing on the favorite congressional subject of what is the matter with everything.



That's about what people are looking for around Washington these days. What they want is inflation that will reduce the burden of debts without taking a cent away from creditors, that will make business hum without raising the cost of living, that will give the farmer a profitable market for all he produces without increasing costs to the consumer. Inflation that will reduce the cost of building and at the same time lower rents, that will devaluate invested capital and curtail its return, that will make prices so low that we can flood the world with our goods and so high that imports can't get in, that will give us money so cheap that we will flee from it and at the same time so safe and sound that we will be glad to give it to widows and orphans.

All the thousand business organization representatives in Washington are writing their clients to get ready for inflation. Worst of it is, from my old-fogy point of view, that many of them are telling their retainers that some currency inflation would be beneficial.

There's increasing talk about outright government financing by means of Treasury notes. "Why borrow money from bankers and pay three or four per cent for it, when you can borrow it from the public free" runs a familiar argument.

An even better scheme, according to some of the hotel lobby and club lounge financiers, is to use greenbacks to buy in all outstanding Government bonds. Thus at one crack the national debt would be wiped out, 800 millions dollars a year in debt charges eliminated and at the same time twenty billions of money let loose. Things would roar then. The best use the recipients of the cash could make of it would be to spend it, and fast and quick. Of course, the flood would tear out the gold standard and a few other landmarks, but what a ride we all would have!

But, soberly, Perry, I feel that unless the various Rooseveltian relief and reconstruction measures put us on the upgrade by fall we are surely going to have some real currency inflation. Maybe not so raw as the sort I have mentioned but raw enough.

Friends in the Government explain to me that there is no inconsistency between the devastating deflation that is going on and the controlled inflation of the credit-money kind that the government is planning—even while it is still pounding the last trace of old inflation out of the credit structure.

"It's like this," one of the second-rank brain trusters said to me: "You've had a long sickness and a treatment which have got all the bugs out of your system. You had to get 'em out or die. But now you're as weak as a cat. Am I, as your doctor, going to go off and leave you to die of inanition after you're cured? No, sir! I'm going to begin to build you up with tonics and suitable foods. By the time Roosevelt has got through with the banking purgative about ten billions more of so-called assets will be out of the banks, five billions will be out of the railways, about the same out of mortgage loans. On the books the country will be as flat as a thin pancake, but in substantial assets it will be as portly as before—but no steam or energy—no ambitious credit. Somebody must spend money in order to put some red blood into that flabby body. Who but the Government can get it; or will spend it? Therefore, big public expenditures, but outside the ordinary budget, in order to keep pretty economists smiling, Congress frugal at the spiggot and the poor old public confident that the Government is being ruled by right thinking men and run by safe drivers."

Actually, Roosevelt has brought to Washington or extracted from their frightened hiding in the civil service hierarchy the wildest bunch of heterodox economists that was ever gathered together outside of Union Square. When I think of Joe Robinson and Pat Harrison in the same bed with pop-eyed fellows like Prof. Tugwell and Mordecai Ezekiel, who could easily qualify for membership in the Communist party if they lived in Russia, I hate to think what we're coming to. Tugwell says that Russia is the place to study and learn about the farm problem.

It all comes down to what I've told you time and again: President Roosevelt intends to spend back to prosperity—save to soothe and spend to spur.

Don't believe it? Well you wait and see. If this country isn't spending its own way back to prosperity before next fall the Government will be doing it for it—and will be having a devil of a time to explain why it has cut thou-

Washington Journalist
York Broker

sands of people off the civil service list and reduced the pay of the rest. But I can tell why; They were in the wrong budget. At the moment I am writing this the President is taking $150,000,000 off the regular Government payroll—15 per cent flat—and putting it onto this huge national rock pile brigade called forest cleanup and what not. That balances the budget and spends as much as ever. And I'm for it.

Remember that an age that can command superfluity in any line has nothing in common with an age that never had enough of anything. My great grandfather, up there in the rocks of Vermont, had to save, but apparently I've got to spend to keep things going.

Yours,

DON.

NEW YORK, N. Y., April 3, 1933.

DEAR DON:

One day last week I had the biggest volume I have ever had in all the years I have been in Wall Street, but it was conversation, not business.

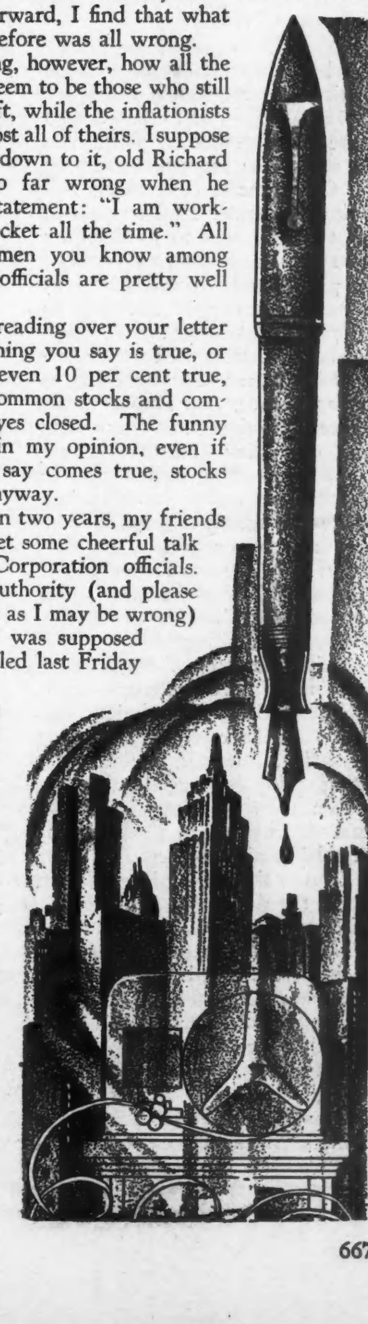
It seems to me that with all this dullness, people not only call you up, but keep you on the telephone for what seems to be hours at a time. Of course, the principal subject is: Are we or are we not going to have inflation, or, to put it the other way around, are we to have further deflation? Now, in the first place, we have got to agree on what is inflation and what is deflation and in order to do that, I would take up too much of your time as well as mine. One thing I am satisfied about . . . . the Administration is not going to give us the needle until all of the dead wood has been definitely and effectively cleared away. That thought about agrees with yours.

The boys down the Street are still using crying towels by the dozen. They do not know whether the new security legislation is going to put Wall Street out of business or not. Every broker is scared stiff and hoping that he will have a chance to live.

Personally, I am very bullish. I can't be anything else but. I think we are in the tail end of our deflation, and that we only have about 5 per cent more to go. That last 5 per cent, however, may be an awfully tough road, just about as tough as the last 50 yards of a steep hill.

Are you watching the commodity markets? They seem to be holding up much better than the stock market and I notice more and more houses are going into the commodity business. If the commodity and stock exchanges are restricted too much—how about a nice crap game?

So far as news is concerned, most of it seems to be coming out of your town rather than ours. Your Administration appears to be so strongly entrenched that everybody is "going Aldrich." I heard as recently as last night that the Exchange might do the same. Anyway, we certainly are living in interesting times. I have never read more in my life. At the end of the day, I feel that I know so much more than I knew the day before. The trouble is that the day afterward, I find that what I learned the day before was all wrong.



It is a funny thing, however, how all the sound money men seem to be those who still have plenty of it left, while the inflationists are those who have lost all of theirs. I suppose when you get right down to it, old Richard Croker was not so far wrong when he made his famous statement: "I am working for my own pocket all the time." All the sound money men you know among the present and ex-officials are pretty well off, aren't they?

I have just been reading over your letter again and if everything you say is true, or even half true, or even 10 per cent true, a man should buy common stocks and commodities with his eyes closed. The funny part of it is that, in my opinion, even if none of what you say comes true, stocks should be bought anyway.

For the first time in two years, my friends have been able to get some cheerful talk out of the Steel Corporation officials. I have it on good authority (and please do not hold me to it as I may be wrong) that Myron Taylor was supposed to have actually smiled last Friday afternoon.

The railroad boys are working more and more over towards the leadership of Loree and Atterbury. Before that it used to be New York Central and the Van Sweringens.

Some of the automobile companies are astounded at the manner in which business in the South and Southwest has picked up. Do you remember, not so long ago, when business used

(*Please turn to page* 696)

Will Federal Bond Issues Bring On or Prevent Inflation?

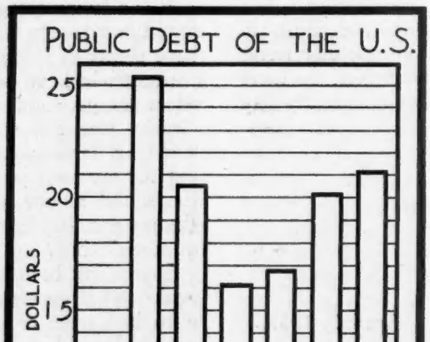
Government Faces Difficult Problem in Refunding Existing Debts and Financing Future Program

By John D. C. Weldon

IT becomes increasingly probable that the remaining period of 1933 will mark the crucial phase of depression, a phase during which the supreme powers of the Government, of banking and of business must combine to end deflation and seek to produce, by one means or another, a reversal of the price trend which has brought economic activity of all kinds to the present low level.

Always in the past, economic revival has been left to work out its natural course, and always it has succeeded in doing so. Our young and expanding country simply cured itself after each corrective reaction of boom-time mistakes. There are many economists who believe that our present problem differs only in scope from those of the past and that the only sound method from here on is to let nature take its course.

Quite aside from the premature focusing of public attention upon the possibilities of inflation suggested in the emergency banking legislation, however, the accumulating evidence suggests that we have rather definitely broken with the past and that the forces demanding at least an approach to a new order and to new methods are steadily gaining momentum.



Even if this depression differ from older ones merely in scope, the distinction is of enormous practical importance, affecting the social and political philosophies of countless millions of our citizens. Generally speaking, government in the past has not been called upon by an insistent majority to attempt to control the major economic tides. It is open to question whether it has the power or the wisdom to do so with success.

Yet it is clear that the prevailing mass psychology is such that the effort will at least be made and that in coming months it will lead us along new and untried paths. The policies which the Government elects will have a vital bearing upon business and banking and, hence, upon the direction of the flow of money and credit and the rates that credit will command.

Under existing conditions there is scant inclination for private capital to flow back into productive undertakings. A continuation of the prevailing low level of economic activity, therefore, would under older conditions be marked by the piling up of idle funds and by abnormally low rates of interest. In the end the pressure of funds seeking profitable use provided an automatic starter for business.

In some measure this may be the outcome of our present situation. It is not at all certain, however, how long this process would take, nor is it certain how long public patience will endure. Indeed, it appears much more likely that the demand for relief from the present economic pressure is becoming too insistent to be ignored.

There is only one medium of planned or artificial action, and that is the United States Government, reflecting the confused and conflicting desires of a vast democracy. Regardless of preliminary deflationary adjustments in various directions and regardless of a strenuous effort to reduce normal expenditures so as to balance the current budget, the present Government is plainly committed to a longer term objective, whatever the precise means chosen, of bringing about a price rise and speeding up business activity.

There is no way this could be done except by the direct and indirect spending of Government funds and by the intensive utilization of Government credit. The longer prospect, therefore, points almost inevitably to heavy borrowing by the Government, either from its citizens or from the banks or both. Since bank deposits represent the vast bulk of the liquid resources of the country, such heavy borrowing either from the public or the banks would deplete the resources hitherto available for normal business operations. The actual significance of this, however, is open to question and would depend upon the aggregate amount to be borrowed by the Government, since the credit resources now available are not being used.

Short-term Federal financing will be a continuing problem this year. There are outstanding ten issues of Treasury bills, aggregating $817,252,000, ranging individually from $60,000,000 to $100,600,000. All mature at short intervals between April 15 and June 28. In addition six issues of Treasury certificates of indebtedness, ranging from $239,197,000 to $473,373,000, fall due between May 2 and December 15. Present prospects are that this total floating debt will be renewed, and probably somewhat increased, at moderate rates of interest.

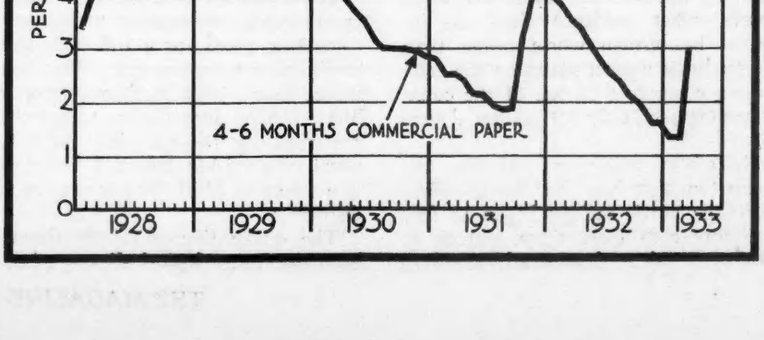
With a gold supply far smaller than ours, but without banking difficulties, credit confidence in Great Britain has been maintained in remarkable degree, as evidenced by the striking success of her vast refunding operation last year and by current promising efforts to undertake additional refunding operations on a smaller basis.

We have a generous, even excessive, supply of gold. Moreover, since the passing of the acute phase of banking unsettlement, there has been a truly remarkable improvement in the position of the Federal Reserve System and of the banks. But this is only part of the story. Various factors of psychological doubt and uncertainty not only remain but are intensified, and this is of importance in relation to credit and to the Government's financial policies.

The problem of Federal financing is a double one. First, it would be desirable to improve the status of the present debt of approximately 20 billions of dollars. Approximately half of this is held by the banks of the country, which means that nearly 25 per cent of our banking resources are invested in Government securities. It would be desirable to refund a large portion of this debt, possibly 6 to 8 billions, on a lower interest basis, say 3 per cent. The conversion of some 3 billions in short-term debt into long-term bonds is also desired. Treasury, Federal Reserve officials and private bankers have discussed the problem.

One of the difficulties is inherent in the present position of the Federal Reserve System, due to its heavy purchases of short-term Government issues during its long-maintained "easy money" policy. That policy has failed to achieve the desired result of stimulating the flow of credit. It is not likely to be repeated and the abnormally low short-term rates prevailing prior to the banking holiday will probably not be seen again. As of March 15, the Reserve held approximately $1,300,000,000 of short-term Governments.

In the event of a conversion of floating debt into long-term bonds, the Reserve would either have to accept the bonds in place of its present short-term holdings or sell its short terms in the market prior to conversion. The first would leave it tied up with long-term issues subject to the risk of price fluctuation, a policy long regarded as unsound for central banks, for central banking liquidity is necessary to protect the country's gold holdings.



On the other hand, sale of present holdings of short-terms would involve the withdrawal of funds from the money market and would necessarily have a deflationary effect, for commercial banks would have to liquidate loans and investments or increase their borrowings at the Reserve, either action involving a restriction of commercial credit.

It is the second part of the Federal financing policy, however, which appears to present the greatest problem. Unless there is a relatively early economic improvement, Washington can hardly withstand the demand for direct governmental efforts to provide stimulation. Any such program, involving heavy expenditures for public works, reforestation, refinancing of farm mortgages and direct relief of unemployment, could only mean a large increase in the public debt, whether the funds be obtained from the banks or from the public or both.

For the present the effort is concentrated on improving Government credit, chiefly by drastic retrenchment in ordinary expenditures in order to achieve at least an approximate balancing of the current budget. The results thus far have had a favorable reaction. Money rates have reacted substantially from the bank holiday peak. The market for Government bonds is firm and most issues are selling above par. Additional short-term financing promises to be at materially lower rates than the 4 and 4¼ per cent which the Treasury was forced to pay for funds on the March 15 financing.

Basically, it remains to be seen what the American public's reaction to the Roosevelt budget will be. Attention thus far has centered on the achievement of virtually balancing the current budget. Division of the budget, however, into a current account and a "capital outlay" account is an experiment never before tried in this country. If funds borrowed for the capital outlay account were actually used for genuinely productive purposes, that is in projects which would actually yield a profit out of which the debts could be amortized, no quarrel could be had with the device.

It is worth noting, however, that if this method of accounting had been used the enormous deficits run up under the Hoover Administration would have shown virtually a current balance.

Latest reports from Washington are that the Treasury is hopeful of ultimately being able to float a large bond issue at an interest rate which will appeal *(Please turn to page 696)*

Climax of the Movie Tragedy Approaches

An Unadorned Appraisal of the Predicament of the Motion Picture Industry

By C. F. Morgan

HOLDERS of film securities might as well realize now as later the plain fact that the glamorous motion picture industry is perilously close to flat bankruptcy. The little ring of officials who have with each recent passing year renewedly proved their ineptitude to guide it according to the most elementary commercial rules are wondering what to do. There is little or no equity left in most picture stocks since the liabilities of the majority of companies far exceed their assets. Exchange quotations can be taken as little more than an appraisal of hoped for prospects of recovery. And, it is a meager hope unless drastic action is taken shortly.

Courtesy, Fox Films

A Scene from "Cavalcade"

The funded and unfunded debt of eight major picture corporations, all of whose stocks are listed on the New York Stock Exchange, totals more than four hundred million dollars. It can be seen in the accompanying table that bank loans were excessive, film inventories large and cash low according to the various companies' own figures, some of which are anything but recent. Moreover, since the latest official reports, what evidence there is, indicates that the situation has grown worse rather than better. The appraisal which the market places on the common equity in the leading companies of one of the country's major industries amounts to only 40 million dollars or less.

Beginning early in March of this year, following the intimation from Washington that hereafter banks might expect rigid supervision, the movie makers began to fear they might garner no more cash from these sources, so they invited all employees to take a horizontal cut of 50 per cent in salary. Many employees, believing half a loaf superior to no bread at all, agreed, but the labor unions declined vociferously.

Victor H. Clarke, contact man between studios and unions, had urged the latter into a frame of mind where they began to consider the reduction when the naive move of a major studio executive tossed not only a monkey wrench, but three motor jacks and some cubic yards of abrasive gravel into the gear train, thus:

David Selznick had been production executive of RKO studios and under his regime—during which he is said to have drawn $2,500 weekly—the studio failed to progress suitably, so his contract was not renewed. However, nepotism is still discernible in the studios, so his father-in-law, Louis B. Mayer, vice-president and director general of MGM, hired him, the reported remuneration being $4,000 per week. Whereupon the labor unions dashed back into their cyclone cellars, slamming the doors behind them, and Mr. Clarke groaned.

The Academy of Motion Picture Arts & Sciences then appointed an emergency committee to intervene and the committee asked for a full statement of the conditions as preliminary to settlement. This being promised the committee hired John R. Mott, attorney, and Price Waterhouse & Co., accountants, to get the studio facts. It was remarked that the committee did not engage the producers' usual attorney Mr. Edwin J. Loeb, who had been employed at a salary of $100,000 per year as arbitrator of producers' disputes.

The quake that shook Southern California may have been due to geological slippage, but many persons believe

it was the reaction of the producers to the Academy committee's request to inspect the books. Anyway, after a decent interval the studios yielded, and if the Academy Committee thinks the situation justifies it they will try to work out a reduction scale for everybody employed.

Apparently even these happenings have not brought the full light of understanding to the movie old guard, for in a trade paper *of March 21, 1933, a symposium of their views appears:

"The industry is virtually set to ride bankerless through the 1933-4 production season. With little or no banking credit, producers are satisfied they can make ends meet by cash within picturedom's bounds. Plus cuts and distribution income, in a normal depression week via the box offices, major companies are certain they can self-support themselves with an aggregate total of $7,000,000. On a general basis $3,000,000 is officially reckoned to take care of Hollywood."

A statement like that is sufficient proof that the men in control of the picture business haven't the clearest concept of their situation. They admit their sole income source is the box office of the country's theaters, realizing, dazedly perhaps, that the banks will give them no more. But the box offices of the country are not taking in $7,000,000 as gross revenue. To reach that figure more than 38,000,000 people would be patronizing the motion picture houses each week. A more accurate figure is 28,000,000, and since the accepted average admission is 17½ cents the theater weekly gross is under $5,000,000.

However, the motion picture producing and distributing companies don't get that for their film rentals, but rather less than one-quarter of it; not even $1,200,000. And the studios have less than half of it for production, so the total income for all pictures of all kinds, major, independent, features, shorts, news, cartoons and the like cannot possibly be over $600,000 under existing conditions. And this is some 80 per cent less than that $3,000,000 ecstasy.

Since under modern, post-hysteria conditions most of the Hollywood studio plants are liabilities rather than assets, pictures that will be cheap enough to permit exhibition at a profit are unlikely to be made therein by the men who have been operating them. Consequently I see no hope that the greater list of film securities will ever return to a dividend basis, and if I owned any of them I should at once write them off my personal ledger.

There are approximately 19,000 motion picture theaters in the United States, seating in the aggregate 10,000,000 people. Usual operation provides for three shows a day, or expectantly 30,000,000 patronage, but as stated, the theaters are not getting that number of people in a week instead of a day. Even at the patronage peak of early 1929, just over 115,000,000 weekly, they were but about half capacity. Perhaps not more than 11,000 theaters are now operating. Some of these must close because they can't stay open and earn their keep at present-day film rentals. Rentals can't come down until production costs are lowered and I believe that impossible with the present group of executives.

Fox Film Corp. recently produced "Cavalcade" at a reported cost of $1,200,000. A fair rule is that fifty box office patrons are required to return one dollar of production cost. If that rule is here applied, 60,000,000 people must pay to see "Cavalcade"! And pictures budgeted to cost $300,000 are still scheduled in Hollywood. Is there a chance for a theater forced by competition to run two features, a news real and a short to pay the film rentals required by such production cost? Not unless a magician is running it.

And what happens to a permanently closed theater—one built under hysteria or promoted by greed? They must be converted to other uses or written off after such salvage as can be produced. The chief sufferers will be the multiple-seated house—the big theater seating thousands and built under peak construction costs, for these are unsuited to sound pictures, at their best.

Distribution at 30 per cent plus is absurd. It should be closer to 10 per cent. Imagine 459 separate exchanges in 32 key cities of the country! In each city each exchange duplicating the equipment of every other. Under a plan proposed two years ago for the combination of all physical operations under one roof adjacent to shipping facilities, half of the cost would be eliminated, but the plan was sneered at.

Executive administration at one coast and production at the other, with 3,000 miles intervening, is absurd and un-

(Please turn to page 692)

* Variety.

How Leading Picture Companies Compare

	Fox Film "A"	Loew's Inc. Com.	Metro-Goldwyn Pictures Pfd.	Paramount-Publix Com.	Pathe Exch., Inc., Com.	Radio-Keith-Orpheum Com.	Universal Pictures Pfd.	Warner Bros. Pictures Com.
Latest Report Date	Dec. 26, '31*	Aug. 31, '32	Aug. 31, '32	Oct. 31, '32	Jan. 2, '32*	Jan. 27, '33	Oct. 31 '31*	Nov. 26, '32
Funded Debt	54,465,444	30,416,767	1,557,200	84,542,251	2,729,000	16,239,709	900,000	95,100,320
Bank Loans and Other Unfunded Debt	9,062,196	149,175	22,000,000	9,367,174	....	120,000	287,470	2,011,305
Current Liabilities	16,637,895	5,346,845	3,067,024	35,242,995	216,123	555,749	2,170,606	12,743,189
Current Assets	22,717,731	34,908,872	26,687,781	27,833,737	955,566	24,119,338	8,873,344	14,881,361
Cash	3,340,596	2,904,614	1,250,031	6,530,082	584,818	26,802	1,102,503	2,732,030
Securities	....	5,527,313	....	740,193	....	....	1,200	....
Film Inventories	17,136,300	20,496,420	20,496,420	16,245,685	86,925	....	6,200,816	9,527,135
Receivables	1,622,380	1,974,244	1,122,809	4,314,777	223,332	23,763,356	1,098,578	1,490,017
Other Current Assets	618,455	4,106,281	3,818,521	....	60,491	329,180	470,247	1,132,179
Fiscal Year Earnings a Share 1928	6.47	5.98	31.22	4.08	d1.07	d0.08	42.10	4.98
1929	10.29	7.91	40.32	5.79	d0.60	0.92	22.02	6.33
1930	4.06	9.65	60.01	5.90	d3.21	1.45	d94.19	2.27
1931	d1.69	7.43	38.71	2.01	d1.67	d2.44	30.46	d2.19
1932	d3.75 (1st 9 mos.)	4.30	18.78	d4.94 (1st 9 mos.)	d0.79 (1st 9 mos.)	d0.38 (1st 10 mos.)	d37.58 (1st 9 mos.)	d3.81
Prices—1933—High	2⅛	21½	19	2⅝	¾	3⅝	15	2¼
Low	1	8⅛	13½	⅛	⅜	1⅛	10¾	½
Recent	1¼	10⅞	13¼	⅛	⅜	1⅝	11	1¼

* No more recent report available.

The Magazine of Wall

The Magazine of Wall Street's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-incoming-bearing securities, we have "starred" those which appear to us currently the most desirable on a conservative basis. Generally, commitments should be assumed in accordance with the general market discussion elsewhere in this issue.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atlantic Coast Line								
1st Cons. 4s, 1952	154	51	1.3	.2	N C	67	7.2	Fairly well secured.
Gen. Unif. "A" 4½s, 1964	154	34	1.3	.2	N C	54	8.9	Junior to 1st Cons. 4s.
A. C. L. RR. Louisville & Nashville Coll. Tr. 4s, 1952	154	35	1.3	.2	105	53	9.3	Secured by 596,700 shares of L. & N. RR. currently worth $28 a share.
Chicago, Rock Island & Pacific								Current prices appear to discount any possible disturbance in the event of receivership.
Gen'l 4s, 1988	316	90	1.0	.3	N C	52	7.3	
Sec. "A" 4½s, 1952	316	40	1.0	.3	102½*	22	..	Secured by pledge $45 million 1st & Ref. 4s.
1st & Ref. 4s, 4.1.34	316	163	1.0	.3	N C	21	..	Will probably require Government help to meet this maturity.
Conv. 4½s, 1960	316	32	1.0	.3	105 '36*	6	..	Unsecured by mtge. Weak issue.
Burl. C. Rap. & N. Cons. 1st 5s, 4.1.34	316	19	1.0	.3	N C	47	..	Reasonably strong, but maturity may present difficulties.
R. I. Arkansas & L. 1st 4½s, 3.1.34	316	11	1.0	.3	105	19	..	Trackage is comparatively unimportant.
St. P. & K. City Short Line 1st 4½s, 1941	316	10	1.0	.3	105	34	..	Must now be considered speculative.
Missouri-Kansas-Texas R. R.								
Prior Lien "A" 5s, 1962	107	62	1.3	1.0	105	60	8.8	Position of only fair security.
Adjustment "A" 5s, 1967	107	14	1.3	1.0	100	34	14.9	Junior to issue above.
M., K. & T. 1st 4s, 1990	107	39	1.3	1.0	N C	74	5.5	Underlies issues above. Entitled fairly good rating.
New York Central R. R. Co.								
Cons. 4s, 1998	660	63	1.0	.7	N C	60	6.7	Reasonably strong investment.
Conv. Deb. 6s, 5.1.35	660	12	1.0	.7	110	50	..	Must be considered speculative now.
★N. Y. C. & H. R. Mtge. 3½s, 1997	660	84	1.0	.7	N C	71	5.0	Strong underlying lien.
N. Y. C. & H. R. 30-yr. 4s, 5.1.34	660	46	1.0	.7	N C	60	..	Rank with consolidated mortgage bonds and are therefore reasonably strong.
N. Y. C. & H. R. 30-yr. 4s, 1942	660	9	1.0	.7	N C	..	..	
N. Y. C. & H. R. Ref. & Imp. "A" 4½s, 2013	660	254	1.0	.7	110	36	12.5	Borders upon the speculative.
★Lake Shore & M. S. 1st 3½s, 1997	660	50	1.0	.7	N C	72	5.0	High grade investment issue.
Chic., Ind. & Sou. 4s, 1956	660	15	1.0	.7	N C	..	..	Medium grade.
Cleveland Short Line 1st 4½s, 1961	660	12	1.0	.7	N C	..	..	Good grade issue.
Jamestown, Frank. & Clear. 1st 4s, '59	660	11	1.0	.7	N C	..	..	Somewhat better than medium grade.
Clev., Cin., Chic. & St. Louis Gen. 4s, 1993	165	33	1.0	.7	N C	70	5.8	Good grade bond.
Ref. & Imp. "E" 4½s, 1977	165	65	1.0	.7	105 '47*	38	9.5	Junior to issue above.
Michigan Central 1st 3½s, 1952	..	18	1.0	.7	N C	..	..	High grade issue.
GUARANTEED ISSUES								
Canada Southern Cons. "A" 5s, 1962	..	30	1.0	.7	N C	..	..	Sound investment.
Detroit River Tunnel (D. T. & T.) 1st 4½s, '61	..	18	1.0	.7	N C	..	..	Reasonably strong bond.
New York & Harlem Ref. (now 1st) 3½s, 2000	16	12	1.0	.7	N C	..	..	High grade issue.
West Shore 1st 4s, 2361	..	49	1.0	.7	N C	72	5.6	Entitled to a good rating.
N. Y., N. H. & Hartford R. R.								
1st & Ref. 4½s, 1967	260	58	1.6	1.0	105 '37*	52	9.1	Large debt equally secured with this issue. Medium grade.
Non-conv. Deb. 4s, 1955	260	50	1.6	1.0	N C	..	..	Secured under the 1st & Ref. mtge.
Secured 6s, 1940	260	19	1.6	1.0	105	60	..	Secured pledge $23 mil. 1st & Ref. 6s.
Conv. Deb. 6s, 1948	260	39	1.6	1.0	N C	60	11.7	Also secured under 1st & Ref. mtge.
Deb. 4s, 1957	260	14	1.6	1.0	N C	37	12.1	Unsecured by mortgage. Semi-speculative.
Central New England 1st 4s, 1961	260	12	1.6	1.0	105	..	..	Reasonably well secured.
New England R. R. Cons. 4s, 1945	260	18	1.6	1.0	N C	..	..	Better grade bond.
Harlem Riv. & Port Chester 1st 4s, '54	260	15	1.6	1.0	N C	90	4.8	Strong investment issue.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Alabama Power								
1st 5s, 1946	97	71	2.0	1.8	105	87	6.5	Better grade investment issue.
1st lien & Ref. 5s, 1951	97	61	2.0	1.8	104¾*	80	7.0	Pledge of 1st 5s gives this issue virtually same security.
1st & Ref. 4½s, 1967	97	63	2.0	1.8	101½*	61	7.8	$37 mil. 1st lien & Ref. 5s pledged under this issue.
Bell Telephone of Pennsylvania 1st & Ref. "C" 5s, 1960	97	85	2.8	2.1	100 '57	103	4.8	Impressive earnings record—high grade.
Brooklyn Edison Gen. "A" 5s, 1949	67	56	6.2	4.8	105	104	4.6	High grade investment issue.
Brooklyn Union Gas Co.								
★1st Cons. 5s, 1945	49	15	3.4	3.0	N C	106	4.4	An investment of the highest grade.
1st & Ref. "B" 5s, 1957	49	16	3.4	3.0	107*	102	4.9	Junior to issue above, but still high grade.
Deb. 5s, 1950	49	18	3.4	3.0	105*	99	5.1	Strong bond, tho unsecured by mtge.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Columbus Rly. Pwr. & Lt.								
1st & Ref. "A" 4½s, 1957	25	19	4.1	2.9	105*	89	5.3	Better grade investment issue.
Conv. 5½s, 1942	25	5	4.1	2.9	105*	100	5.5	Security similar to issue above.
Commonwealth Edison 1st "F" 4s, 1981	180	175	3.3	2.0	105*	81	5.1	Strong investment issue.
Con. Gas of New York								
Deb. 4½s, 1951	368	340	4.7	3.7	106*	94	5.0	Unsecured obligation of a strong company.
Westchester Lighting 1st 5s, 1950	22	9	4.7	3.7	N C	..	..	Highest class.
N. Y. & Westchester Ltg. Gen. 4s, 2004	22	10	4.7	3.7	100	83	4.9	Junior to West. Lighting 1st 5s.
Detroit Edison Gen. & Ref. "D" 4½s, 1961	134	134	2.9	2.1	105 '41*	81	5.9	Coverage off somewhat, but still strong.
Duke-Price Power 1st 6s, 1966	36	36	1.2	1.3	105¼*	48	12.7	Considerable uncertainty attaches to the status of this issue.
Idaho Power 1st 5s, 1947	13	13	2.8	..	105	92	5.8	Better grade investment.
Indianapolis Power & Lt. 1st "A" 5s, 1957	38	38	2.5	2.4E	104*	77	7.0	Reasonably safe holding.
★Kansas City Power & Light 1st 4½s, 1961	41	41	4.0	3.2	110*	100	4.5	High grade investment.
Laclede Gas Light Co.								
Ref. & Ext. 5s, 4.1.34	36	20	1.5	1.5	N C	87	..	Medium grade.
1st Coll. & Ref. "C" 5½s, 1953	36	23	1.5	1.5	103*	55	11.2	Junior to issue above, the $10 million Ref. & Ext. 5s pledged hereunder.
Milwaukee Elec. Ry. & Light Ref. 1st (now 1st) 5s, 1961	64	64	1.9	1.4	103¾*	65	8.2	Only fairly strong.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.4	1.4	102½*	53	10.5	Represents large proportion of total debt.
New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.1	2.5	100 '53	100	4.5	High grade investment issue.
N. Y. Power & Light 1st 4½s, 1967	67	66	2.7	..	105*	88	5.3	Reasonably good investment issue.
New York Steam 1st 5s, 1951	28	28	2.7	2.1	105*	95	5.4	Open mortgage. Better grade.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.3	1.0	102½*	30	..	None too strong holding co. obligation.
Ohio Edison Co.								
1st & Cons. 5s, 1960	70	27	2.8	2.2	105*	79	6.7	Sound, medium grade issue.
No. Ohio Pwr. & Lt. Gen. & Ref. 5½s, 1951	70	18	2.8	2.2	105*	89	6.5	Assumed by Ohio Edison.
Penn-Ohio Pr. & Lt. 1st & Ref. 5½s, '54	70	19	2.8	2.2	104*	91	6.3	Better grade.
Southern California Edison								
★Gen. 5s, 11.1.39	138	13	3.2	3.0	105	101	4.8	Entitled to the highest of ratings.
Ref. 5s, 1951	138	120	3.2	3.0	105*	97	5.3	Junior to issue above.
Southwestern Bell Tel. 1st & Ref. 5s, '54	51	49	5.8	5.0	105 '34*	103	4.8	High grade issue.
Toledo Edison 1st 5s, 1962	28	28	3.5	3.1E	105*	88	5.9	Better grade.
Union Electric Light & Power (Mo.)								
★Gen. 5s, 1957	94	63	3.1	2.1	104¾*	99	5.1	Sound investment.
Miss. River Power 1st 5s, 1951	20	17	2.5	2.5	105	100	5.0	Good grade bond.
Un. El. Lt. & Pr. of Ill. 1st 5½s, '54	8	8	3.3	5.9	103½*	102	5.3	Better grade issue.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
American International Conv. Deb. 5½s, '49	14	14	..	..	105	67	9.6	Asset value about $1250 on 12.31.32.
Am. Smelting & Refining 1st "A" 5s, 1947	36	36	1.5	def	100	82	7.0	Demoralization of metal markets an adverse factor.
Bethlehem Steel Corp.								
P. M. 6s, 1998	136	8	1.0	def	N C	98	6.1	Strong underlying issue.
1st Lien & Ref. 5s, 1942	136	25	1.0	def	105	74	9.3	High grade under normal conditions. Now affected by lack of earnings.
P. M. & Imp. 5s, 7.1.36	136	25	1.0	def	105	82	12.4	
Midvale Steel & Ordnance 5s, 3.1.36	136	33	1.0	def	105	82	12.4	High caliber lowered by poor business.
Pacific Coast Steel 5s, 1933/1940	136	10	1.0	def	100	..	..	Unsecured by mtge. Guar. Beth. Steel.
McClintic Marshall Col. Tr. 5½s, 1932/'37	136	10	1.0	def	102½	..	..	Reasonably strong.
Crane Co. Notes 5s, 1940	12	12	def	def	102*	66	12.4	Continued deficit weakens strong issue.
Lehigh Coal & Navig. Cons. "A" 4½s, 1954	23	20	3.2	2.9	105	..	..	High grade issue.
Liggett & Myers Tobacco Co.								
Deb. 7s, 1944	28	13	14.7	14.8	N C	123	4.3	Exceedingly strong industrial obligation.
Deb. 5s, 1951	28	15	14.7	14.8	N C	109	4.3	Junior to issue above, but still high grade.
National Dairy Products Deb. 5¼s, 1948	75	73	6.0	3.9	103½*	79	7.6	Now less prosperous. Medium grade.
Penn-Dixie Cement 1st "A" 6s, 1941	10	10	def	def	103*	34	..	Business has gone from bad to worse.
Tobacco Products (N. J.) Coll. Tr. Deb. 6½s, 2022	36	36	..	..	100	97	6.7	Secured pledge lease agreement with Am. Tobacco. Interesting issue.
Union Gulf Coll. Tr. 5s, 1950	60	60	def b	1.4 b	103*	99	5.1	b Gulf Oil (Pa.) earnings, virtually guarantor of issue. Better grade.
Youngstown Sheet & Tube 1st "A" 5s, '78	92	92	def	def	105*	54	9.4	Continued deficit disquieting.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
★Chesapeake & Ohio 1st Cons. 5s	5.1.39	30	3.5	3.2	N C	101	4.8	Investment of the highest grade.
★Consumers Power 1st & Ref. 5s	1.1.36	33	3.8	3.0	105	101	4.6	Exceedingly high grade issue.
★Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.7m	3.2m	N C	102	4.4	m Earnings Sou. Bell Tel. assuming co.—Highest grade.
★Edison Electric Ill. (Bos.) Notes 5s	5.2.35	75	3.2	2.6	101*	100	5.0	Company enjoys a fine credit standing.
Great Northern Power 1st 5s	2.1.35	7	..	..	110	..	..	Reasonably sound issue.
Texas Power & Light 1st 5s	6.1.37	25	2.0	..	105	95	6.4	Good investment.
Third Avenue R. R. 1st 5s	7.1.37	5	1.9	..	N C	87	8.9	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. E Estimated. A Actual earnings, tho in some cases based on preliminary reports.

What's Wrong With the Public Utilities?

Why Utility Shares Lost Favor — An Estimate of the Forces at Work in the Background of This Important Investment Group

By FRANCIS C. FULLERTON

PUBLIC utility stocks were regarded with a high degree of confidence and of investment and speculative favor in the roaring days of 1929. Better than most other security groups, they maintained a relatively high degree of market favor throughout three years of depression. Investment emphasis was placed upon their basic stability and the essential nature of the industry. Their earnings receded, it is true, but by far smaller proportions than in most other industries.

Record of Ten Utility Leaders

	Earnings per Share			Recent	Price ratio to
	1930	1931	1932	Price	1932 net
Consolidated Gas	5.06	4.94	4.07	41	9.9
Am. Gas & Electric	4.38	3.64	2.31	18	7.8
Columbia Gas & Electric	1.76	1.42	.96	9	9.2
Detroit Edison	8.75	8.98	5.21	52	10
North American	4.53	3.41	2.01	16	8
Niagara Hudson Power	1.80	1.53	1.07	9	8.4
Consolidated Gas of Baltimore	5.28	5.21	4.29	44	10.2
Public Service of New Jersey	4.06	3.85	3.35	34	10
Southern California Edison	3.09	2.38	2.06	18	8.7
United Gas Improvement	1.54	1.46	1.36	14	10

Toward the close of 1932, however, the market picture began to change. Gradually the volume of liquidation in utilities increased and, in the absence of confident demand, prices tended to drift lower. This adverse trend has been emphasized throughout the first quarter of 1933, with the result that utility stocks at this writing have been carried down to an average price level less than 4 points above the extreme low recorded in the summer of last year.

Reversal of Sentiment

These results reflect one of the most striking reversals of public attitude ever revealed toward a major industry in a brief space of time. In both speculative and investment circles on all sides the question is asked; What is the matter with the utilities?

To some extent their loss of popularity may be traced to the tangible factors of a currently declining trend of output, of gross revenues and of profits available for common equities. These factors account for a tendency toward lower dividends, but they can by no stretch of the imagination tell the full story of the present utility situation.

The fact is that common stocks of many strong and sound operating utilities are selling in the market at less than ten times the depressed earnings of 1932. On a basis of current earnings, they appear far cheaper than the majority of industrial and railroad companies. In the essential nature of their business, one can only assume that their vast service will continue to be required in the future as they have been in the past and that it can under private ownership continue to be provided at gradually declining costs, as it has from the inception of the industry.

Obviously, something more than a mere matter of industrial and financial statistics is involved, whether it prove essentially temporary or not.

The answer, perhaps, lies on the side of public and political relationships. The movement toward tighter public regulation of one kind or another, long espoused by ambitious politicians has assumed increased momentum. This is a natural reaction to revelation of many abuses in the financial affairs of certain utility holding companies in recent years. Together with it, under the pressure of reduced public income, there is increased agitation for rate reductions on utility services, much of it without close attention to the facts.

Looming above all, perhaps, in the minds of many owners of utility securities is the specter of ultimate governmental competition if not ultimate government ownership of certain key holding companies doing an interstate business. At present there is a prospect of both state and Federal competition in the production of electric power from publicly-owned hydro-electric sites. The advocacy of this policy by President Roosevelt has attracted much more definite public and investor interest than ever before.

Appraisal of all such plans in a practical way so far as they relate to the longer outlook of the privately-owned utilities is uncommonly difficult for the simple reason that they are so indefinite and lie so far in the future. In any near-term sense, however, there is a strong probability that the dangers of governmental competition or its use as a supplementary means of regulation of rates has been exaggerated in the public mind.

Such proposed governmental projects as the development of Muscle Shoals, of the Columbia River Basin and of the St. Lawrence Waterway are almost too vast for rational analysis on any current basis. The completion of each

will involve huge governmental expenditures, expenditures such as would be difficult, if not impossible, for the government to finance, either directly or indirectly, except under conditions of economic revival and improved investment demand.

It is true that if the Government were to actually take over certain existing organizations some scheme of exchange of government bonds for existing securities might be conceivable, but this plan would not be applicable to the new developments which the Government has under contemplation. Moreover, there is more urgent need for governmental borrowing for various other purposes which in all probability will have to have political precedence, including, to mention only a few items, direct Federal relief of unemployment distress. government aid in the refinancing of mortgages on farms and small urban homes, government support for some plan of raising farm product prices and government aid for some banks and insurance companies. Such problems will tax government credit far into the future, regardless of continuing political agitation on the subject of public development of power resources.

But while the threat of actual public competition is not imminently at hand, there is abundant evidence that the public regulatory power will henceforth be used with far more vigor. Recent utility developments in New York State are of interest, pointing the direction of national opinion. Governor Lehman in a message to the Legislature recently charged "serious abuses" to some utilities, including excessive rates in certain cases, and demanded an eight-point program of remedial legislation, much of which has already been introduced.

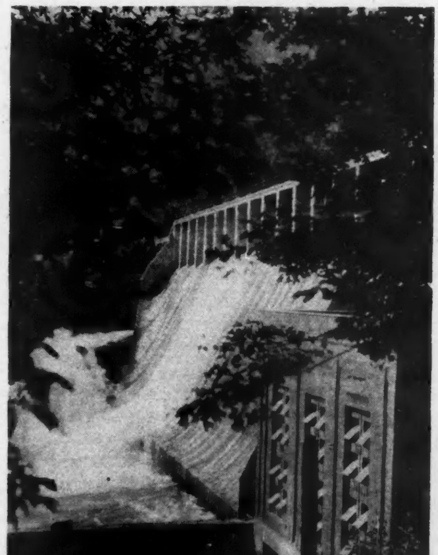
One remedy demanded is to decrease the percentage of stock in an operating company held by a holding company without public approval, to limit the charges made by holding companies and to eliminate unjustifiable charges imposed by a holding company out of operating expenses. Another demand from the Governor was a prohibition against operating companies loaning their funds to holding companies unless approved by the state commission. A bill is asked to prevent, without state approval, the diversion of funds by means of loans and advances from operating companies to other companies, or the payment of money by operating utilities to various companies in the holding company chain for securities or services, or, third, other practices such as charging to operating company expenses the cost of marketing securities of holding companies.

A variety of other restrictive legislation, too lengthy to be reviewed here, is also requested by Governor Lehman. In general it is directed at various specific abuses prevalent in the past, usually on the part of holding companies. It is of special interest because the policies of Governor Lehman in this state must be presumed in a general way to reflect the views of his predecessor, now President Roosevelt.

Public Responsibility

Unfortunately, the actual significance and investment importance of regulatory developments of this kind are subject to wide popular misunderstanding. Leaders of the utility industry are aware of past mistakes and in the formation of the Edison Electric Institute under a strict code of ethics to replace the former National Electric Light Association have gone far toward acknowledging a public and social responsibility. Such abuses as were involved in the Insull promotions have put a smear upon the entire industry. Yet the holding company at best is an effective economic unit and many have for years been managed in enlightened self-interest. Moreover, there has been a vast internal and individual reform of holding company practice, simply as a matter of wise business practice.

In this connection, it is of interest that Floyd L. Carlisle, chairman of the Niagara Hudson Power Corp. and of the Consolidated Gas Co. of New York, as well as a trustee of the Edison Electric Institute, was prompt to wire Governor Lehman that he was in general accord with the legislation suggested. In short, there appears to be really little or nothing in the proposed new regulations which sound and wisely managed utilities have to fear. Within such laws, subject only to equitable interpretation and granted freedom from subsidized governmental competition, there should be ample opportunity for fair profits under normal business conditions.



It is interesting to note that there are now in operation in New York State more than fifty municipal utility plants. Governor Lehman proposes that villages operating electric plants be permitted to supply their service to territory immediately adjacent when such service can be offered at rates lower than those which could otherwise be obtained. A bill to bring this about has already been introduced. It may or may not become law, but the significant fact is that it provides that municipalities engaged in the utility business shall not be subject to the regulation of the state commission, but shall be free to determine their own rates.

Thus, the public ownership advocates really propose to apply one set of standards and of accounting to plants so operated and another to the private companies. Herein lies the real danger of virtually all public ownership proposals. Public plants would not only have the initial competitive advantage of tax-exemption, but political control could elect in one way or another to disguise the actual economic cost. This aspect of the question, although not at all imminent in the present situation, can scarcely fail to be of long-term concern to utility investors.

Taxation, both present and potential, is another major utility problem and one over which the companies, of course, have no control. At one time there was a real danger that thoughtless politicians at Washington would impose upon the companies the direct 3% tax on domestic electric bills now paid by consumers. This would have involved a serious impairment in earnings. It is now believed that this burden, small for the individual consumer but vast if concentrated upon the companies, will not be shifted.

Agitation for lower rates is far less of a problem than is popularly supposed. Like the weather, it is always with us. Since the costs of utility services vary greatly in accord with varying local and geo-

(*Please turn to page* 696)

Sugar Industry Faces Sweeter Prospect

Position of Porto Rican Companies Most Favorable — Tariff Question of Critical Importance

By J. C. Clifford

LAST year sugar sold at the lowest price in its history —.57 cents a pound, Cost and Freight. It is currently quoted not far from double this figure which, although one admits that the price of sugar is still low, certainly represents very substantial appreciation. Should the rise be based upon anything more fundamental than a change in the technical condition of the market, it will be of deep significance to that large semi-dormant, punch-drunk interest in sugar securities. They may at last have something tangible on which to base their hopes for the future. Let us attempt a brief review of the situation.

Important Sugar Companies

Name	Earned per Share 1931	Earned per Share 1932	Recent price	Dividend $	Yield %
Refiners					
American Sugar Refining	3.17	2.62	40	2	5.0
National Sugar Refining	3.53	2.36	31	2	6.4
U. S. Producers					
American Beet Sugar	def‡	def‡	3	..	..
Great Western Sugar	def§§	def§§	14	..	..
Cuban Producers					
Cuban-American Sugar	def§	def§	5	..	..
Porto Rican Producers					
Central Aguirre Associates	1.52†	1.93†	23	1.50	6.5
Fajardo Sugar	3.49†	10.84†	37	..	..
South Porto Rico Sugar	1.20§	2.54§	23	1.60	7.3

† Year ended July 31. § Year ended Sept. 30. §§ Year ended Feb. 28.
‡ Year ended March 31.

One must go back to the beginning of the World War to obtain a background to the present sugar situation. At one stroke in 1914 a third of the world's production of sugar was cut off from the rest of the globe's inhabitants by lines of armed men. Consequently, the "rest of the globe's inhabitants" bid frantically for sugar, the price rose, and probably was only prevented from getting completely out of hand by strict governmental control. Production in Cuba, the United States and other countries naturally was stimulated to an extraordinary degree.

With peace and the relinquishment of control on the part of the various governments, sugar in 1920 had one last wild fling. The price for raw at one time was above 25 cents a pound. But from here it fell in six or seven months to less than 5 cents a pound and, although there was some improvement during the period from 1921 to 1924 inclusive, sugar proved to have had its day for many years to come.

The trouble, of course, was that no sugar producing country took kindly to the idea of curtailing its war-stimulated sugar output. Having once felt the hardships of dependence upon an outside sugar supply it was determined that anything tariffs, quotas, embargoes and subsidies could do to avoid a repetition of this state of affairs, would be done.

It was inevitable under these conditions that the world production of sugar should rise—moreover, that it should rise at an even faster rate than a constantly growing consumption could care for. In this respect the sugar industry has been very similar to oil, for history shows that the latter too has thrown away that inestimably valuable advantage of a constantly growing demand.

The fact that total sugar production was running far ahead of world consumption caused a steady decline in price and constantly mounting stocks. Yet, it were hardly reasonable to expect such more-or-less unprotected sugar exporting countries as Cuba to curtail their production before the move was actually forced upon them. Sugar is Cuba's life blood. She needs it to pay interest on her foreign debt. She needs it to pay for necessary imports. Directly, or indirectly, the government's revenues are in sugar.

So Cuba had to go on exporting the one product she possessed — the product for which the world bid avidly from 1914 to 1920 and which it subsequently found in such bountiful supply. Moreover, she had to go on exporting it in the face of steadily falling prices which automatically made many tariffs more burdensome. The more she exported, the less she received, and the less she received, the more essential was it for her to export. Other countries, notably Java, found themselves in the same general uncomfortable situation.

Whether the unprotected sugar exporting countries would have been any better off today had they merely allowed nature to take its course and gone peacefully bankrupt is an academic point, for they took the course of artificial production curtailment and segregation of stocks, and are about bankrupt anyway. Cuba's five-year plan which is linked up to a limited international agreement is, of course, in full operation at the present time, but whether the great decrease in the production of unprotected exporting countries which is expected for the crop year ending August 31 can be attributed to the artificial curtailment, or whether it is the cumulative effect of deficits, is difficult to say. It seems certain, however, owing mainly to the

reduced output of Cuba and Java, that the world for the first time since 1923 is about to take a large bite out of its surplus stocks. And it is this factor, making for a considerable improvement in the statistical position, which is behind the recent rise in prices and the more hopeful attitude being taken by holders of sugar securities.

Yet there is danger of one's optimism being too all-inclusive. The betterment in the general sugar situation has been obtained at the expense of one section of the industry. And the section at whose expense the betterment has been obtained is particularly important to American security holders. There are millions of American dollars which rest directly or indirectly on a sugar base in Cuba. According to Willett & Gray, sugar statisticians, Cuba's production in 1925 was 5,125,000 tons, or 21% of the world's total, and the average price, C. & F. New York was 2.562 cents a pound. In that year Cuba's gross sugar income was therefore nearly $300,000,000. For the crop year which ended August 31, 1932, Cuban production was 2,603,000 tons, or 10% of the world's total output, and the average price at New York was .925 cents a pound, resulting in a gross income of $54,000,000. For the year ending next August, Cuba will produce about 2,000,000 tons, or 8% of the world's total and, although the price received will conceivably be better than last year's, the 23% reduction in volume will take a lot of offsetting. These figures clearly show of what little avail her restriction plans have been to Cuba, although one can hardly be other than sympathetic to her efforts to try anything — even a demonstrated fallacy—in her efforts to extricate herself from an impossible situation.

Nor can it be said that the future holds out much hope for Cuba, at least so far as sugar is concerned. She has lost her dominant position in the sugar world and it will probably take nothing less than a cataclysmic upheaval in American tariff policy to enable her to regain even a measure of her old estate.

Mention of tariffs brings us to the thing which has been the principal cause of the depression in sugar and the most complicating factor of the whole industry. We have already shown how the post-war world went about making itself independent of outside sugar supplies by subsidizing in one way or another home or colonial industry. It might be as well to consider here tariffs more specifically.

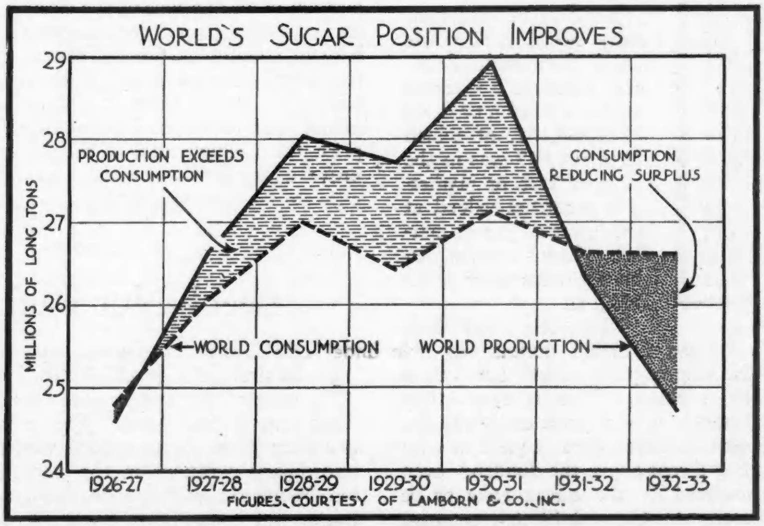
At the present time the United States levies a duty of 2.50 cents a pound on raw sugar imports. This is the full rate and almost no sugar comes into the country on this basis, the reason being that domestic beet and cane sugar, and sugar from Porto Rico, Hawaii and the Philippines pays no duty at all, while Cuba has a preferential rate of 2.00 cents a pound. It follows therefore that we import from Cuba only that sugar which we cannot produce at home or in our possessions. Moreover, because even the Cuban preferential rate is a high one—about 200% on the value of the product C. & F. New York—our own mainland and insular production has been increasing steadily, to the ruination of Cuba and the American money invested there.

According to Willett & Gray, Cuba for the year ended August 31, 1925, supplied 53% of the United States sugar consumption, while for the year ended last August the proportion had dropped to 28% and for the year ending this August a further decline will be reported. The security record vividly tells the same story. Numbers of Cuban sugar enterprises have gone bankrupt and their securities have disappeared from the exchanges. On the other hand, Porto Rican producers have continued to make money despite the low price for sugar. A glance at the accompanying table will show two which are paying dividends. The third, Fajardo, would undoubtedly be paying a dividend too, if it had not been for the hurricane which damaged the 1933 crop severely and brought about a much-reduced output. The recent increase in the price of sugar means just that much more profit to Porto Rican and other similarly situated producers, while for Cuban producers it merely means something of a reduction in their deficits.

Despite drastic operating economies and more advantageous methods of purchasing beets, the beet sugar industry in this country is still, even with the recent increase in prices, far from a prosperous condition. Still higher prices are required. But if there was a further material increase, Cuba could probably see her way to make larger shipments and the result of this would be a price recession. Nevertheless, of the domestic beet producers, Great Western Sugar is the largest and would seem to be the best situated company, for it is well managed and conservatively capitalized.

In discussing the condition of the domestic refiners, we again discover that the tariff is the principal factor in the outlook. At the present time, the tariff is so constituted that the duty, when applicable at all, on imported refined sugar is less than the duty on an equivalent amount of raw. As a result, our importations of refined sugar have been going up by leaps and bounds, whereas our exports of refined sugar have slumped. While it would seem that nothing can be done to curb the imports of refined sugar from Porto Rico, Hawaii and the Philippines, we might easily make some adjustment of the tariff applicable to Cuban sugar. It is this that the American Sugar Refining Co. is urging and the necessary tariff adjustments are not unlikely to be made. While of benefit to the domestic refiner, however, such a move would plunge Cuba still further into the mire. The tariff situation as it affects the American Sugar Refining Co. was discussed in greater detail than is possible here in

(*Please turn to page* 693)



Selected Stocks to Buy for Future Profit and Protection

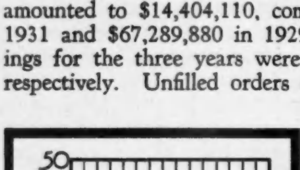
By THE MAGAZINE OF WALL STREET Staff

This group of stocks is presented in accordance with our announced policy of suggesting sound equities which appear in a sufficiently favorable position after a prolonged period of depression to warrant gradual accumulation. Other stocks will be discussed as their individual conditions justify.

EDITOR.

General Electric Co.

LAST year was not a good one for the General Electric Co. Net sales amounted to only $147,162,291, compared with $263,275,255 for the previous year and with the 1929 peak of $415,338,094. Net income for 1932 amounted to $14,404,110, compared with $40,956,996 in 1931 and $67,289,880 in 1929, while the per-share earnings for the three years were 41 cents, $1.33 and $2.24 respectively. Unfilled orders on hand at the end of last year amounted $20,142,000 compared with $49,308,000 at the end of 1931, a decrease of 59%.



Nevertheless, the company closed 1932 in its usual formidable financial position. Current assets amounted to $179,888,465, of which $116,108,017 was in the form of cash or marketable securities valued at the lower of par or market. Total current liabilities were only $16,579,141.

Yet, one must look even further than this strong financial position to obtain the reason why the company's common stock commands a price of $13 a share. This is more than 30 times last year's earnings. It is a price on which the regular dividend of 40 cents a share affords a yield of only 3% and with earnings but 1 cent above the dividend, even this rate might be considered by the conservative to be hardly secure. The reason why General Electric common commands such a premium over ordinary statistical valuations is to be found in its past history, in the conservatism with which the company has been run, and in the well founded belief that electricity still has a great future and that the General Electric Co. again will become prosperous catering to it.

The General Electric Co. has paid dividends on its common stock since 1899. Since 1902 until 1926, although stock dividends were paid from time to time, the cash distribution was uniformly $8 a share. The stock has been split sixteen-for-one since 1926 so that the present rate is really $6.40 on the old stock. The conservatism of the company's bookkeeping practices can be seen from its method of handling the plant account. Since the formation of the General Electric Co. in 1892 to the end of 1932, expenditures for manufacturing plants totaled $342,572,903. Taking away the value of plants sold or otherwise disposed of, the cost of the company's present plants is $190,727,868. But this is offset to the extent of $145,938,348 by a general plant reserve so that the net book value of the company's manufacturing properties is $44,789,520. This is clearly a very conservative figure even allowing for today's greatly lowered values.

While General Electric's past history, exceedingly strong current financial position, or even its commanding trade position in all divisions of the electrical equipment industry, do not suffice to put the company's common stock on the bargain counter at present prices, they do afford a valid reason why the stock should be highly prized. For those willing to remain content with a small return on their money and to ignore intermediate fluctuations in market price, the common stock of the General Electric Co. should prove a satisfactory commitment from the standpoint of ultimate market appreciation.

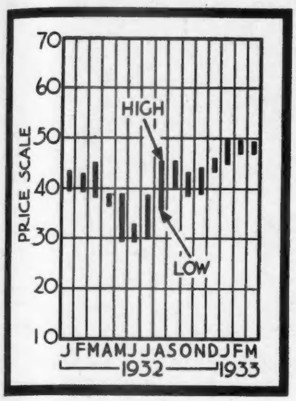
Beech-Nut Packing Co.

THERE is nothing particularly new or exciting in the affairs of the Beech-Nut Packing Co. It is an enterprise which merely goes on making money, in good times and in bad times. This company never publishes grandiose plans for expansion which find reflection in extraordinary gyrations in the stock market, and which all too frequently end in a horrific crash. It has grown, of course, but it was never a party to those remarkable grafting processes—so much the vogue in bull markets—which result in a chemical manufacturer becoming a purveyor of foodstuffs, or a buttonhole maker a builder of locomotives.

Incorporated in 1899, the Beech-Nut Packing Co. has been more or less of a family affair under the direction of the Arkells, father and son, president and vice-president respectively. The management has long been noted for the fairness of treatment afforded stockholders and, while the enterprise is of a type which has all too frequently lent itself to exploitation by a group of "insiders," there has

never been a breadth of suspicion that this was the case with the Beech-Nut Packing Co.

The company's original operations were confined to the packing and distribution of ham and bacon of high quality.



As the company's trade-name "Beech-Nut" became popularly known to signify a reliable product, other foodstuffs and food specialties which appeared to lend themselves to a high-quality, trade-marked package business were added to the line. Today, "Beech-Nut's" chewing gum, peanut butter, jams, spaghetti, macaroni, sauces, candies, coffee and biscuits are known throughout the United States and in many foreign countries.

Plants are located at Canajoharie, Rochester and Brooklyn, New York. There is also a paper carton plant in West Virginia and branches in California and England.

The capitalization of the Beech-Nut Packing Co. is a very conservative one. If one excepts an insignificant minority interest in the capital stock and surplus of subsidiary companies, and 45 shares of preferred stock, it consists solely of 446,250 shares of common stock of $20 par value. Last year the company bettered a strong financial position. As of December 31, 1932, current assets, including cash and marketable securities (market value higher than book value) of $7,827,000, amounted to $15,409,000. Current liabilities were less than $1,000,000.

Earnings last year were equivalent to $3.70 a common share, compared with $4.67 in the previous year. They reached a peak in 1929 when $6.06 a common share was reported. "Beech-Nut's" dividend record goes back without interruption to 1902 and at the present time the company is distinguished by reason of the fact that it is still paying the same regular rate as in 1929, namely $3 a share annually. On the basis of the current quotation for the stock of about $48 a share, the yield afforded is slightly more than 6%.

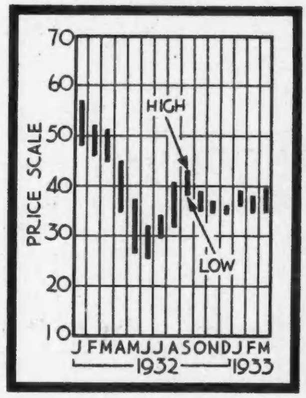
While the earnings of the Beech-Nut Packing Co. have shown some recession because of the curtailment in public purchasing power since 1929, and although competition in the field is certainly becoming no less keen, the company has always been one to do better than the majority of its contemporaries. There is no reason to expect that the future will be other than a continuation of this record.

Wm. Wrigley, Jr. Co.

TO every person in this country and also to many in foreign countries the name "Wrigley" is synonymous with chewing gum. In various forms and under such trade-names as "Spearmint," "Double Mint," "Juicy Fruit" and "P. K.'s," gum is the company's one line and it has spent millions and is still spending millions to bring it before the public. Current advertising expenditures are estimated to run in the neighborhood of $6,000,000 a year and this and wages are perhaps the only items of expense that the company has made no effort to cut during the difficult times through which we are passing.

During the first part of the depression it was thought, because Wrigley's product retailed for such a modest price —five cents a package in every candy, cigar and newspaper store in the country, and a penny if obtained through one of the countless slot machines—that the company was completely "depression-proof," for who could possibly find it necessary to economize on such an insignificant item? We know now, however, that many have found it necessary to economize in many ways previously thought inconceivable and not even Wrigley could be immune to such conditions.

Nevertheless, the company's earning power has resisted the adverse influences remarkably well in comparison with industry as a whole. For last year the company reported a net profit of $7,095,667, as against a net profit of $10,147,535 in the previous year. This was equivalent to $3.54 and $5.07 a share respectively. During the last quarter of 1932, the company earned 69 cents a share, compared with $1.06 in the first quarter. The final quarter of the year, however, is usually the poorest and there is every reason to suppose that the regular $3 dividend will be covered for 1933. On the basis of this dividend, the common stock of the Wm. Wrigley Jr. Co. yields not far from 8% at current prices around $38 a share.



The capitalization of the company is a conservative one. It consists solely of 2,000,000 shares of common stock of no-par value and a small minority interest in the capital stock and surplus of subsidiary companies. The company closed last year in its usual formidable financial position. Current assets amounted to $39,335,051, of which $9,120,900 was in cash and $15,881,830 in marketable securities. The latter had a market value of $11,322,177 at the end of the year. Current liabilities amounted to $3,201,174.

The company carries its real estate, buildings, machinery and equipment at a net of $11,700,932. This is quite evidently a very conservative figure, for it has been stated that the Wrigley Building in New York alone cost more than this. The $6,066,417 at which good will and patents are carried appears to be equally conservative in view of the millions of dollars spent for advertising.

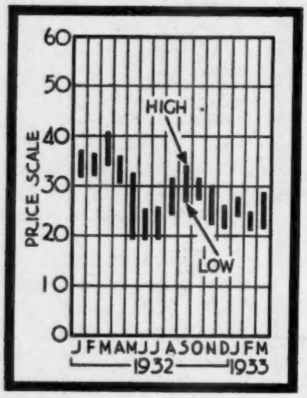
The common stock of the Wm. Wrigley Jr. Co. provides an interest in an old-established, conservatively managed enterprise which has proved its worth under particularly trying conditions. It should continue to earn substantial profits even should the present conditions be prolonged, while any general betterment should find quick and substantial reflection in the company's operations.

General Foods Corp.

GENERAL FOODS CORP. is the outgrowth of the old Postum Co., maker of Postum Cereal, Post Toasties, Post Bran Flakes, Instant Postum and Grape-Nuts. The present company, however, embraces a much wider field than that of its predecessor. To the well-known products of the latter have been added Jell-O, Swans Down Cake Flour, Minute Tapioca, Baker's choco-

late and cocoanut products, Log Cabin Maple Syrup, Sanka and Maxwell House coffees, Calumet Baking Powder, Certo, Diamond Crystal Salt and a number of other trade-marked packaged articles, the majority of which are foods. General Foods also owns all the common stock of Frosted Foods, the operator of a process of quick freezing which preserves the full flavor of meats, fish, fruits and vegetables by avoiding the formation of large and damaging ice crystals in the product which it is wished to preserve.

Last year the company's business was adversely affected by increased unemployment and the consequent curtailment of purchasing power, the further fall in commodity prices, and the unsettled banking and credit conditions which existed in many parts of the country. Under the circumstances the showing made must be considered a good one. Gross profit from operations amounted to $45,384,367, compared with $58,998,989 in the previous year. After deducting selling, distributing, administrative and general charges, other charges, depreciation and taxes, and including General Foods' proportionate share in the results of operations of controlled companies, net profit in the latest period totalled $10,343,881. This was equivalent to $1.97 a share on General Foods common stock and compared with $3.44, $3.63 and $3.68 in the three preceding years respectively.



As a result of the decline in earnings, General Foods reduced the dividend paid on its common stock from $3 to $2 a share last summer. The other day the quarterly dividend was further reduced from 50 cents to 40 cents, thereby putting the stock on a $1.60 annual basis as against the $2 previously paid. It was, however, gratifying to hear officially that the old rate had been earned during the first quarter of this year and that it was only the conservatism of the management which brought about the reduction.

Assurance as to the safety of the revised dividend is to be found in the lack of leverage in the stock, and the company's strong financial position. The capitalization of General Foods consists solely of 5,251,501 shares of common stock and an insignificant minority interest. There is no funded debt nor preferred stock and, in consequence, minor fluctuations in the company's business do not make a disproportionate difference to per share earnings. At the end of last year, current assets amounted to $32,318,611, of which $10,726,202 was in the form of cash and marketable securities, the latter taken at market values. Current liabilities were $5,223,580. Net working capital was therefore more than $27,000,000.

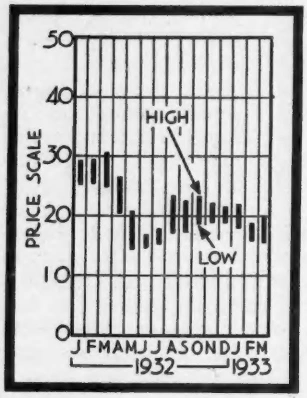
General Foods common is a comparatively stable equity. At current prices of about $25 a share, the yield afforded by the present $1.60 dividend is 6.4%, a reasonably liberal and safe return.

The company has ultimate prospects of considerable expansion, particularly from the Frosted Foods division, although no very spectacular increase in earnings can reasonably be expected over the near future. For those willing to accept the inherent limitations of an investment of this kind, the stock has much to commend it under today's conditions.

W. T. Grant Co.

ON January 31, 1933, the end of the company's fiscal year, W. T. Grant was operating 446 department stores of the "25c to $1" type located in thirty-eight states. The company undoubtedly has done relatively well over the past few years, but an exact appraisal of the showing is made difficult because of the steady expansion which has taken place in both good times and bad.

For the latest fiscal period the company reported the first decline in dollar sales in its history, the figure being $73,086,856, compared with $75,679,203 for the previous fiscal period. But the sales decrease of less than 3½% in itself leads to wrong conclusions. In the fiscal year 1931 the company opened 54 new stores while 42 were opened last year. The loss of sales in the 350 stores which were open during the whole of 1931 and the whole of 1932 amounted to nearly 12%. Yet even this loss is smaller than the decline in commodity prices and affords confirmation of the company's statement that periodic checks in various groups of stores indicated that more customers were being served and more units were being sold in identical stores than in the previous year.



Similarly because of the company's expansion, it is difficult to compare certain balance sheet items with those of previous years. For example, inventory at the end of the 1932 fiscal year was the largest in the company's history despite a long period of constantly falling prices. But when one remembers that the number of stores in operation at the end of last January was more than twice the number in operation at the end of January, 1930, the rise of a mere 5% in inventory over the period takes on a favorable rather than an unfavorable aspect, despite the price decline.

For the twelve months to January 31, 1933, the W. T. Grant Co. reported net income of $1,588,498 after depreciation, Federal taxes and other charges, which was equivalent to $1.32 a share on each of the 1,195,355 shares of no-par capital stock outstanding. For the previous year $2.59 a share was reported. Despite the decline, earnings for last year were more than sufficient to meet the regular cash dividend of $1 a share. This dividend, based on current prices of about $19 a share, yields more than 5%.

The financial condition of the W. T. Grant Co. was good at the end of last January. Current assets amounted to $12,740,063, of which $4,245,180 was in cash, while current liabilities totaled $1,640,804. Although 42 new stores were opened during the year, the company's cash holdings fell but moderately and it has been officially stated that, although the company will expand further, such expansion will not be at the expense of a strong financial position.

To the prospective purchaser of common stocks the particular appeal of the W. T. Grant Co. is that it is an "inventory" situation and that the enterprise is still expanding. There are not many companies which have pursued an aggressive and successful policy of expansion all through the depression. Indeed for the majority, the past few years has been a struggle to digest previous expansions and there has been much contraction in the process.

Taking the Pulse of Business

—Recovering from the Low

—Car Loadings and Electric Consumption Gain

—Banking Shows Sound Improvement

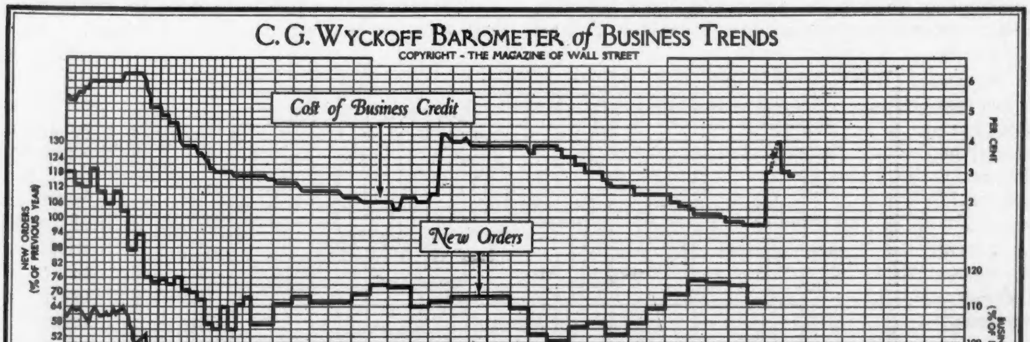
—Commodity Prices Stronger

—Heavy Industries Slow

IMPROVEMENT in banking and industrial conditions during the past fortnight has been, on the whole, somewhat better than might have been expected, in view of the drastic and unmapped changes in our accustomed ways of doing business which are to be enacted by the present Congress. New Orders, it is true, are now known to have slackened forebodingly during the month of banking difficulties in Michigan, and figures for the next point on our graph, when available, will doubtless reveal an even sharper drop in consequence of the subsequent closing of all banks throughout the nation. Such disturbances, however, are to be regarded as water over the dam in view of the fact that general Business Activity has since recovered close to three-fourths of its resulting loss. In fact car loadings, electric power output, lumber production, and steel mill activity, if measured in terms of seasonal trends, are even higher than before the moratorium. Automobile assembling which, largely through lack of banking facilities at Detroit, had to be almost totally suspended during the middle of March, has since picked up conspicuously; though plants are still operating at about 25% below last year. The cotton textile industry, thanks largely to persistent firmness in the raw staple, has been little affected by the banking crisis.

In banking, the rate of improvement has been more gratifying than might be supposed from an inspection of the Cost of Business Credit line. Huge sums of hoarded bank notes and gold have been redeposited. Circulation is now only a few hundred millions above the low of January; while rediscounts of New York City member banks have been reduced from a maximum of around 600 millions to a merely nominal figure. In other parts of the country, where total deposits of nearly four billions are locked up in over 5,000 unopened banks, it is to be expected that recuperation will be slower; though steady progress is being made in the right direction, as may be noted from Secretary Woodin's recent announcement that, within a period of sixteen days up to March 31, no less than 289 national banks alone, with aggregate deposits of around 435 millions, had been reorganized and granted licenses for 100% operation. This accomplishment was made possible largely by local interests, who came forward with new capital to the amount of nearly thirty millions. Less than 2% of the total had to be subscribed by the R. F. C.

One encouraging feature of the present situation is the persistent firmness in raw material prices which, in the face of reactionary tendencies in the securities markets, have managed to hold most of the early gains attendant upon reopening of the banks. It seems especially significant that a number of commodities—including wheat, corn, coffee, sugar, cotton, zinc, and tin—are now commanding somewhat higher prices than a year ago. Lead, aluminum, and hides are on a parity with, and other raw materials only moderately under, last year's prices. With the glaring exception of petroleum, which brings less than a third of what it sold for a year ago, the firmer undertone in staple



commodities is probably attributable more to a healthy improvement in the statistical position than to anticipation of inflation or any price lifting possibilities which may reside in pending farm relief legislation. The fact is that low prices are at last having the normal economic effect of curtailing production, stimulating consumption, and cutting down excess inventories. This is the very best kind of foundation upon which to build a new period of prosperity, in which all of the industries reviewed below, and many more, will share ultimately.

The Trend of Major Industries

STEEL—Ingot operations at 15% of capacity, while only a point better than the lowest level reached after the banking holidays, are nevertheless higher by several per cent in comparison with last year at this time when activity fell off rather sharply. Earnings of most steel companies will, of course, make a very poor showing for the first quarter of the present year, and probably during the second quarter. It seems likely, however, that the worst is over in this industry. Prices for finished products, though low, are being well maintained, reassurances as to the soundness of reopened banks has done much to promote confidence among the industry's customers, and it is probably significant of gradually improving conditions that steel mill activity is now turning slowly upward where last year the operating rate fell off sharply.

PETROLEUM—Present conditions in the oil fields are little short of chaotic. Production has run riot, stocks of crude above ground are mounting rapidly, and prices are crumbling. Thus the outlook for first and second quarter earnings is far from rosy. Yet the very seriousness of the present situation is of itself a hopeful augury. The International Oil Conference has just opened. At the same time discussions on the domestic oil situation are being carried on in Washington. President Roosevelt has announced his intention to ask Congress to prohibit interstate shipments and exports of bootleg oil, and has issued instructions to enforce payment of the Federal gasoline tax and to report violations of state tax laws. He has also recommended that state authorities take effective action within their own jurisdictions where the Federal Government is powerless to act. An order has just been issued to close down the big Oklahoma City oil field until the legislature has passed the new proration bill. A meeting of governors of the principal producing states has been called to effect interstate co-operation in devising uniform enforcement laws. The battle for effective conservation may be rather long drawn out; but there is no doubt that the forces of law and order will come out victorious eventually.

METALS—Copper has sagged back to the five cent level, and promises to drift still lower under the pressure of mounting production abroad. Prices for tin, on the other hand, continue to rise slowly in response to the metal's improving statistical position. Markets for other non-ferrous metals remain almost lifeless in the absence of demand from leading consuming industries.

CEMENT—Effective March 25, the International Cement Co. has increased the price of its product by 10 cents a barrel, and the compensation of its wage earners by a like percentage. Not all of the price increase will be absorbed, however, by the higher wages; so that this latest rise in price, on top of the 29-cent increase last December, should help to reduce the Company's operating losses.

DAIRY PRODUCTS—Effects of recent New York State milk legislation upon the earnings of major companies operating in that state, will depend largely upon how the law is administered. If the Milk Control Board thereby set up should order an equal increase in both buying and selling prices, the immediate result might be some increase in profits; but any substantial rise in the price received by farmers would stimulate production, which is already excessive, and so augment the present troublesome competition from bootleg products.

TIRES—In view of the fact that cotton and rubber prices have held steady to firm this season, where last year they were declining, inventory losses of leading tire makes will be considerably less during the first quarter than they were a year ago. The otherwise beneficial effects of this upon comparative earnings will, however, be offset to a large extent by a recent renewal of the price war among producers of the finished product.

Conclusion

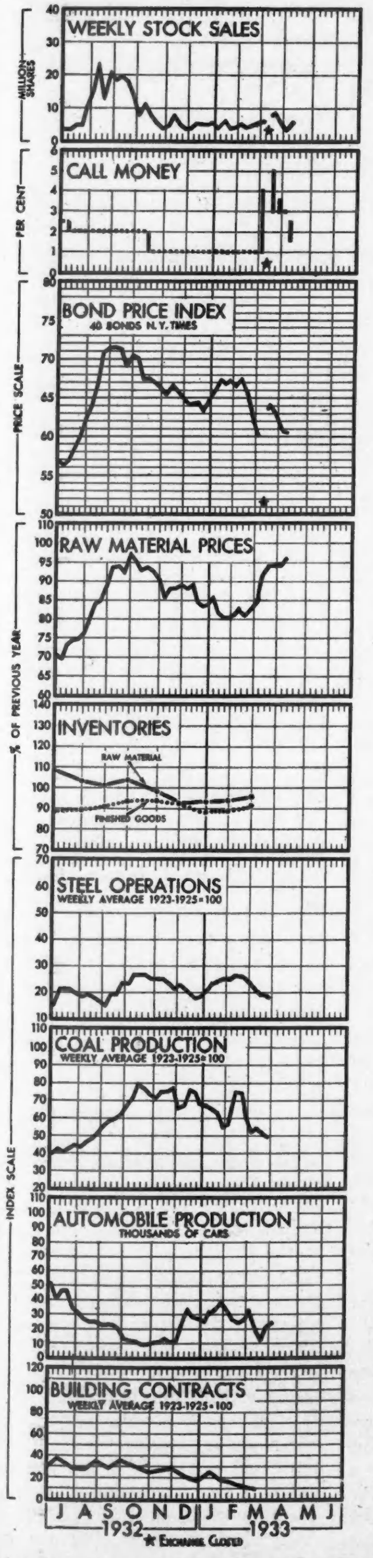
While business conditions at the present time are still deplorably bad, an encouraging amount of improvement has taken place since the moratorium—especially in banking and in the statistical position of leading industrial commodities. If events could move along so smoothly in the future as during the past few weeks, we might be well along the road to business recovery by autumn. But unfortunately, now that the acute phase of the crisis has passed, there seems to be some danger that enforced conversion of established institutions to function effectively under the new regime may involve a certain amount of friction and delay. This is especially true of the pending Federal Securities Act which, if passed in its present form, would check the flow of new capital into legitimate industries.

Changes in Major Commodity Price Groups for the Fortnight Ended April 1, 1933

Farm products	no change	Metals	down 0.5
Foods	down 0.1	Building materials	up 0.3
Hides and leather	up 0.6	Chemicals	up 0.1
Textiles	down 0.1	House furnishing	no change
Fuel and lighting	down 0.5	Miscellaneous	down 1.6

The Magazine of Wall Street's Indicators

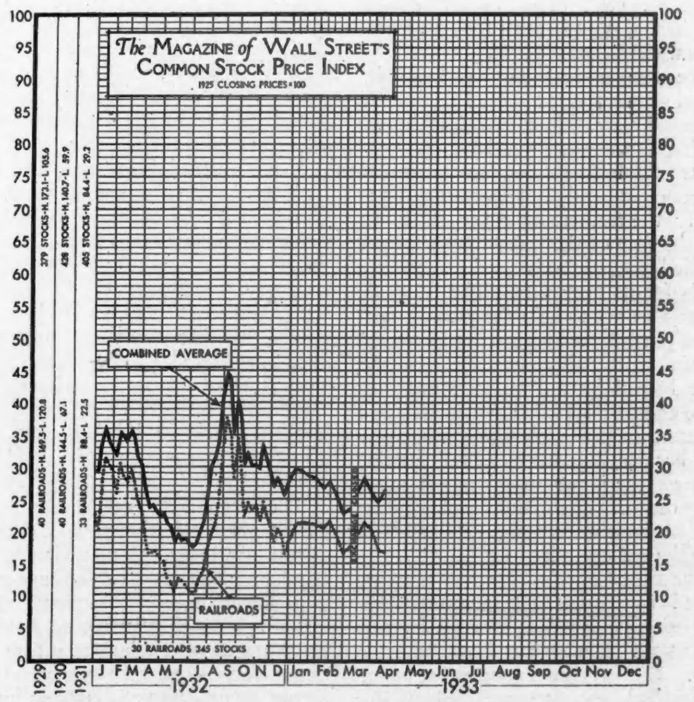
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	Mar. 25	Apr. 1	Apr. 8
45.0	17.5	27.4	280	COMBINED AVERAGE	29.9	22.7	26.1	24.2	26.4
66.8	17.9	32.3	3	Agricultural Implements ...	45.9	26.8	44.3	42.4	44.3
59.3	11.4	16.9	6	Amusements	18.7	7.3	9.2	7.3-L	9.3
31.3	10.7	17.5	14	Automobile Accessories	20.5	12.4	14.6	12.4-l	13.4
17.6	5.8	10.6	14	Automobiles	11.4	7.3	7.7	7.3-l	7.9
62.5	16.2	56.2	4	Aviation (1927 Cl.—100) ...	62.3	41.8	48.0	45.5	49.0
13.1	4.8	5.6	3	Baking (1926 Cl.—100)	7.2	5.1	6.5	5.6	6.7
129.9	60.1	96.0	2	Biscuit	105.4	79.9	92.4	91.2	98.5
83.8	29.6	45.5	5	Business Machines	51.2	37.7	43.4	45.3	51.2-h
119.0	51.0	101.5	2	Cans	113.4	92.9	108.0	105.7	110.7
113.3	53.6	96.3	8	Chemicals & Dyes	102.3	73.2	85.2	86.7	92.4
44.3	13.1	18.9	2	Coal	20.2	12.0	14.8	12.0-L	12.3
24.8	9.9	14.2	14	Construction & Bldg. Mat....	15.1	11.2	13.3	12.7	15.0
57.2	14.9	24.0	8	Copper	27.3	21.2	26.4	23.6	26.5
57.8	28.3	32.6	2	Dairy Products	34.0	23.0	27.6	26.1	28.4
16.3	4.5	7.9	7	Department Stores	8.8	6.6	7.8	7.5	8.4
74.3	35.1	53.7	8	Drug & Toilet Articles	54.0	45.3	48.7	45.3-l	46.4
63.9	28.7	42.2	4	Electric Apparatus	46.3	35.6	42.6	40.6	43.5
58.7	23.7	33.2	2	Finance Companies	43.7	33.2	38.2	36.2	39.4
56.1	28.3	39.5	5	Food Brands	42.6	32.6	37.5	37.1	41.4
56.4	33.9	49.6	3	Food Stores	50.4	40.5	46.2	44.9	47.0
41.8	11.7	17.0	2	Furniture & Floor Covering..	17.3	13.8	14.7	13.8-l	13.8
527.8	357.9	514.0	2	Gold Mining	616.0	481.2	541.5	554.2	616.0-H
21.1	9.6	12.4	4	Household Equipment	13.4	10.5	11.4	11.2	12.7
31.5	9.5	22.0	7	Investment Trusts	26.5	14.5	16.9	15.1	16.1
27.4	7.7	20.0	2	Mail Orders	21.8	13.5	19.6	18.1	20.2
55.8	19.3	30.1	7	Metal Mining & Smelting...	40.3	30.1	35.6	35.4	40.3-h
42.4	21.6	33.2	24	Petroleum & Natural Gas...	34.9	29.3	33.1	30.6	34.9-h
22.5	6.2	9.8	4	Phonos. & Radio (1927—100)	11.1	6.7	7.5	7.0	7.4
94.9	37.1	63.5	20	Public Utilities	68.2	40.8	46.1	40.8-l	41.7
37.8	12.0	17.7	8	Railroad Equipment	23.6	17.7	22.1	21.1	23.6-h
37.8	10.4	18.1	29	Railroads.	21.7	16.3	20.1	17.0	16.8
44.4	14.9	27.0	2	Restaurants	29.3	19.9	23.9	22.8	19.9-l
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.—100)..	71.8	57.8	71.2	67.2	71.8-h
45.9	11.7	23.8	7	Steel & Iron	26.3	19.1	22.4	20.4	23.6
12.4	3.8	7.3	3	Sugar	12.7	7.3	11.3	11.8	12.7-h
121.6	53.9	112.1	2	Sulphur	116.8	79.3	93.1	91.1	96.8
57.2	21.0	35.9	3	Telephone & Telegraph.....	38.8	28.1	30.3	28.1-l	29.7
52.5	16.3	30.1	5	Textiles	30.4	22.5	29.0	26.2	29.6
11.0	2.5	4.4	4	Tires & Rubber	4.8	3.0	3.6	3.8	4.2
68.6	40.8	48.2	4	Tobacco	56.2	46.2	52.3	52.4	55.6
57.0	17.9	22.7	3	Traction	34.9	22.3	34.9-h	32.7	32.1
50.9	23.3	34.3	2	Variety Stores	35.1	23.3	25.0	23.8	23.3-l

h-New high this year. L—New low record since 1928. l—New low this year. H—New high record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

READERS' FORUM

The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.

Varied Views on Vital Topics

Why the Farmer Should Have a Moratorium

Editor, READERS' FORUM:

A craving for farm-cured bacon and fresh eggs is not the only reason farmers are asking for a two-year moratorium on foreclosures. He has a number of reasons, none selfish, any more than those reasons for loaning Reconstruction Finance Corporation funds to other industries. This failure to give the farmer the same consideration the R. F. C. gave other industries was the incentive to ask for a moratorium.

The farmer feels he has been deprived of benefits the R. F. C. intended he should have, that companies who are holding farm mortgages have betrayed the trust the R. F. C. placed in them.

Economic conditions were such as to justify the act creating the R. F. C. and the fear of the lash of high finance justified the methods used to provide funds for its operation. The R. F. C. act was an act to help the masses, first, by helping distressed institutions for a certain time. But when those who were helped by a loan failed to pass on to their debtors that portion of time or extension due such debtors that portion became "hoarded credit," hurting business the same as taking so much cash out of circulation and causing some to believe that the R. F. C. is a special privilege act.

The expense in money and time required in getting information necessary to close loans to worthy farmers in distress, would have been quite an item. This information farm loan companies had, and is reason aplenty for the R. F. C. to have trusted them to extend time to the farmer.—J. A. HUTCHINS, Belleview, N. M.

For a Broader Income Tax

Editor, READERS' FORUM:

It seems to me that inflation of the currency, the free coinage of silver, the selective sales tax, general adjustment of debts downward and reduction of the interest rate are all measures for soaking the rich. And the domestic allotment plan of farm relief is designed to soak somebody for the benefit of the farmer.

The trouble with these measures is that some are untried and experimental and we don't know how they would work. Others would soak some but not all of the rich and another would soak some who are not rich.

If we must soak the rich, and I believe that will be found necessary (as witness the number of proposals for doing it), why not go about it in the fairest and most orderly manner possible which is by means of the income tax. We know that it has been successful in other countries where it has been used to a much greater degree than it has here, we already have the machinery for it and it treats every one in the same brackets just alike. (Tax exempt securities should be abolished.)

The argument against the income tax at present is that there are no incomes any more. This in itself is debatable; but even so, if the higher rate and lower exemptions were written into the law the government would receive ample returns in the future. This depression is entirely unnecessary, a return to prosperity is entirely possible and if things go on as they are the country is ruined anyway. We must therefore assume recovery and if recovery comes these future taxes would retire many billions of bonds. And these bonds for public works, etc., could be floated now if the higher tax rates were written into the law as security.—JOHN BARR, Redmond, Ore.

More Frequent Figures on "Short Interest"

Editor, READERS' FORUM:

I would like to solicit your aid in getting the New York Stock Exchange to publish, or rather, make public the volume of the short interest each week. The present practice of the "Exchange" in making these figures public once a month is not so beneficial for frequently the monthly figures arrive too late to be of much help.

Your influence in this matter will be greatly appreciated.—EARL O. SNYDER, Churchville, Pa.

No Scale Down of Rail Debts

Editor, READERS' FORUM:

Just read, "How the Investor Looks at the Railroads," in March 4th issue. Also have noted from time to time other articles and editorials advocating railroad reorganization, with scale-down of fixed charges.

As I understand the railroads' situation, the railroads have been operating at a fair profit during normal periods. I can see no reason for assuming that they will not be able to do so again, unless it be on account of government discrimination, and if we have such discrimination, it is time we got rid

(Please turn to page 692)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

P. LORILLARD CO.

I have some Lorillard common and would like your opinion as to its prospects. Do you think the dividend is safe? The price range has become so narrow that I feel I should sell and take my loss and switch into some other issue offering greater potentialities for profit. I will be guided by your advice as it has proved profitable in the past.—R. T. K., Buffalo, N. Y.

The annual report of P. Lorillard Co., for the calendar year 1932 revealed net income of $4,556,052, equal after allowing for requirements on the 7% preferred stock, to $2.02 a share on the no par common stock. This compares with profits of $4,846,373 or $2.12 a share on a slightly larger amount of stock outstanding for the calendar year 1931. Although the reduced cigarette prices will restrict earnings outlook of the company during the early ensuing months, it is only a question of time when the independent producers of the cheaper cigarettes will be forced to withdraw. Furthermore, in view of the fact that only 20% of last year's earnings were contributed by the sale of cigarettes, the other tobacco business of the company should lend a stabilizing influence to Lorillard's earnings during the current year. This factor, coupled with the exceptionally strong financial condition, should enable maintenance of the current annual dividend rate of $1.20 a share during 1933 at least. In connection with the fiscal position of P. Lorillard Co., total current assets amounted to $57,908,510, against total current liabilities of $2,888,179, leaving net working capital of $55,020,331. Inventories were marked down some $5,700,000, while cash increased more than $1,000,000; and, in addition, over $2,000,000 of United States Government bonds were purchased during the year. Furthermore, funded debt was reduced more than $3,400,000, which factor, coupled with the pending retirement of 13,500 shares of 7% preferred stock, make for reduced fixed charges during the current year. The common stock, while admittedly speculative in character, is reasonably valued at prevailing prices and maintenance of your present position is advocated.

ELECTRIC STORAGE BATTERY CO.

I bought 100 shares of Electric Storage Battery three years ago at 48½. Since then its sales and profits have dwindled year by year. The dividend was reduced from $3 to $2, and last year this lower rate was not earned. What is your opinion of this company's outlook? Do you recommend my holding or selling this stock now?—F. R. M., Arlington, Mass.

While the replacement demand of the automotive industry accounts for approximately half of the sales volume of Electric Storage Battery Co., the business obtained from railroads, telephone and lighting companies and the wide range of other industrials, affords ample diversification of output. As a matter of fact, the ability of the management to develop new uses for its products, has been an important factor in restricting earnings declines during the current depression. Moreover, it is important to observe that the characteristically strong financial condition of the company was maintained, a factor that will enable the company to weather the balance of the current period of economic unsettlement and assure the improvement of profits when and as business betterment evidences itself. Net income for the calendar year 1932 equalled $1.39 a share on the combined preferred and common stocks, against $3.05 a share in the preceding year. The balance sheet as of December 31, last, revealed total current assets of $23,111,101, including cash and marketable securities of $16,190,882 against total current liabilities of only $821,890. Despite the exceptionally liquid position of the company, the current annual dividend rate of $2 a share on the common stock cannot be regarded as entirely secure, but we believe that any further reduction in payments will be of moderate proportions. Thus, and inasmuch as prevailing prices for the shares discount the near-term restricted earnings outlook, we counsel the retention of present speculative holdings with a view toward ultimate price recovery.

(Please turn to page 689)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/5/33	Share
Atchison	202⅝	79¼	94	17⅞	47⅛	34⅝	38⅛	..
Atlantic Coast Line	120	25	44	9⅝	26⅛	16⅛	17	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	12⅝	8¼	8⅝	..
Brooklyn-Manhattan Transit	69⅝	31⅛	50¼	11⅛	31	21¾	28⅛	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	14⅝	7⅛	7⅞	..
Chesapeake & Ohio	46½	23⅜	31½	9⅝	30½	24⅝	26⅛	2½
C. M. & St. Paul & Pacific	8⅞	1⅛	4⅛	⅜	2⅜	1⅛	1⅛	..
Chicago & Northwestern	45⅛	5	14½	2	6¼	1¼	1½	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	5⅝	2	2½	..
D								
Delaware & Hudson	157¼	64	92½	32	58¼	37⅝	44⅝	..
Delaware, Lack. & Western	102	17⅜	45⅞	8⅛	27⅜	17¼	18¼	..
E								
Erie R. R.	39¾	5	11¾	2	6⅛	3⅜	3¾	..
G								
Great Northern Preferred	69¾	15⅝	25	5⅛	11⅜	4⅝	5	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	15¾	11½	12½	2½
I								
Illinois Central	89	9⅛	24⅞	4¾	15½	8½	9	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	7¼	4⅛	6⅜	..
K								
Kansas City Southern	45	6⅞	15¼	2¼	11	6⅛	7⅝	..
L								
Lehigh Valley	61	8	29¼	5	14⅞	8⅝	9⅛	..
Louisville & Nashville	111	20¼	38¼	7½	32⅝	21¼	27½	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	8⅞	5¾	6⅛	..
Missouri Pacific	42¾	6⅝	11	1⅛	4⅝	1⅛	1¼	..
N								
New York Central	132¼	24⅞	36⅝	8¾	21½	14	15⅛	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	17⅝	11⅛	11⅛	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	11⅞	7⅝	8¼	..
Norfolk & Western	217	105⅝	135	57	130	111½	115½	8
Northern Pacific	60⅞	14⅛	25¾	5½	17⅜	9⅝	9⅝	..
P								
Pennsylvania	64	16¼	23⅝	6⅛	19⅛	13¾	15⅝	.50
R								
Reading	97½	30	52¼	9½	32⅜	23½	23½	1
S								
Southern Pacific	109½	26½	37⅞	6½	19⅞	11⅛	12⅛	..
Southern Railway	65⅞	6⅜	18⅛	2½	8⅜	4⅛	5	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	80⅞	61¼	61¼	6
W								
Western Maryland	19⅝	5	11⅜	1⅛	7⅜	4	5	..

INDUSTRIALS AND MISCELLANEOUS

	1931		1932		1933		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/5/33	Share
Adams Express	23½	3⅛	9⅛	1⅝	5¾	3	3½	..
Air Reduction, Inc.	109¾	47⅝	63½	30⅞	64½	47½	56½	3
Alaska Juneau	20⅛	7	16⅝	7⅜	14⅝	11⅛	14½	.60
Allegheny Corp.	12¾	1⅛	3⅝	⅜	1⅝	⅞	⅞	..
Allied Chemical & Dye	182¾	64	88¼	42½	89⅞	70¾	78	6
Allis Chalmers Mfg.	42¾	10⅛	15⅝	4	9⅛	6	8	..
Amer. Brake Shoe & Fdy	38	13⅛	17⅞	6⅛	12⅞	9⅛	12¾	.60
American Can	129¾	58⅛	73⅞	29⅝	62¾	49½	57¼	4
Amer. Car & Fdy.	38¾	4⅛	17	3⅛	9½	6⅛	8⅛	..
Amer. Com'l Alcohol	14½	5	27	11	22¾	13	17½	..
American Ice	31⅝	10⅛	21⅝	3⅜	6½	3⅜	4⅜	..
Amer. International Corp	26	5	12	2½	8⅝	4¼	6¼	..
Amer. Mchy. & Fdry	43¾	16	22¼	7½	13½	8¾	11	.60
Amer. Power & Light	64⅞	11⅝	17¼	3	9¼	4	4⅛	..
Amer. Radiator & S. S.	21⅛	5	12¼	3⅛	7⅝	4⅝	6⅜	..
Amer. Rolling Mill	37⅜	7⅜	18⅛	3	10⅝	5¾	7⅞	..
Amer. Smelting & Refining	58⅛	7⅛	27¼	5⅛	18	10¾	16⅝	..
Amer. Steel Foundries	31¼	5	15⅛	3	8	4⅝	5¾	..
Amer. Sugar Refining	60	34½	39¼	13	39⅛	21½	38½	2
Amer. Tel. & Tel.	201¾	112⅛	137⅜	70¼	109⅝	87¾	90⅛	9
Amer. Tobacco Com.	128¾	60⅛	86¾	40⅛	63¾	49	58½	5
Amer. Tob. B	132¾	64	89¾	44	65¾	50⅝	61¾	5
Amer. Water Works & Elec	80¾	23⅛	34½	11	19⅛	11	11½	1
Amer. Woolen	40	15¼	39⅞	15⅛	29¾	22⅝	26	..
Anaconda Copper Mining	43¼	9¼	19⅝	3	9⅜	5	7⅛	..
Armour Ill. A	4½	¾	2¾	⅝	2⅜	1⅛	1⅜	..
do B	2⅞	⅛	2	⅝	1⅛	¾	1	..
Atlantic Refining	23⅜	8⅝	21⅛	8⅝	17¼	12⅝	14⅜	1
Auburn Auto	295½	84½	151¾	28¾	56¼	31¼	33⅞	2
Aviation Corp. Del.	6⅛	2	8⅞	1⅝	8	5⅛	7⅝	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	6⅛	3⅞	4⅝	..
Barnsdall Corp.	14⅛	4	7	3⅜	4¼	3	3½	..
Beatrice Creamery	81	37	42½	10¼	12	7	10	..
Bendix Aviation	25½	12⅝	18⅜	4½	11⅛	6⅝	8⅜	..
Best & Co.	46¼	19⅜	24⅞	5¾	13⅜	9	12¼	..
Bethlehem Steel Corp.	70⅛	17¼	29⅝	7¼	16⅞	10½	14	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 4/5/33	Div'd $ Per Share
B								
Borden Company	76½	35⅛	43⅛	20	26⅝	18	21½	1.60
Borg Warner	30¾	9	14¼	3⅝	9⅝	5½	8	..
Briggs Mfg.	22¾	7½	11⅜	2⅞	5⅛	2⅝	3⅜	..
Burroughs Adding Mach.	32¼	10	13⅛	6¼	8¾	6⅛	8⅜	.40
Byers & Co. (A. M.)	69⅜	10⅞	24⅝	7	15	8½	11¼	..
C								
California Packing	53	8	19	8	12⅛	7⅜	11	..
Canada Dry Ginger Ale	45	10⅜	15	6	11⅜	7½	10⅛	1
Case, J. I.	131½	33¼	65¾	16¾	52¼	30½	43	..
Caterpillar Tractor	52½	10¼	15	4⅜	9½	5½	7¾	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	10⅜	5⅞	9⅞	..
Chesapeake Corp.	54⅛	13⅞	20¾	4⅞	20¾	14⅞	16⅛	2
Chrysler Corp.	25¾	11¾	21¾	5	17¼	7¾	9⅝	..
Coca-Cola Co.	170	97½	120	68½	88	73½	84⅜	7
Colgate-Palmolive-Peet	50½	24	31½	10¼	13	7	8	1
Columbian Carbon	111⅝	32	41⅞	13½	35¾	23⅛	28¼	2
Colum. Gas & Elec.	45⅝	11⅝	21	4¼	17⅜	9	9⅝	1
Commercial Credit	23¼	8	11	3⅞	6⅛	4	4¾	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	25	18	20	2
Commercial Solvents	21½	6⅝	13⅜	3⅛	13⅞	9	13¾	.60
Commonwealth & Southern	12	3	5⅛	1⅝	2⅞	1⅜	1½	..
Congoleum-Nairn	14¾	6⅞	12⅛	6⅛	9⅜	7⅜	7⅝	.60
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	63¼	40	41¼	4
Consol. Oil	15⅞	4⅛	9	4	6¼	5	5¼	..
Continental Can, Inc.	62¾	30¼	41	17⅝	45⅞	35¼	42½	2
Continental Insurance	51⅞	18⅛	25¼	6¾	17¼	10½	11¼	1.20
Continental Oil	12	5	9⅜	3⅝	6⅜	4⅞	5¾	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	59½	45⅜	53¾	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	23⅛	14¼	20¾	..
Cudahy Packing	48⅞	29	35½	20	29	20¾	25	2½
Curtiss Wright, Common	5⅞	1	3¼	⅝	2⅛	1½	1¾	..
D								
Diamond Match	23	10⅝	19⅛	12	19¼	17½	18	1
Dome Mines	13⅛	6⅝	12⅞	7½	15¾	12	13⅛	*1.30
Douglas Aircraft	21¼	7⅞	18⅝	5	13¾	10¼	11¾	.75
Drug, Inc.	78¾	42¾	57	23	38¼	29	32	3
Du Pont de Nemours	107	50¾	59¾	22	43	32⅛	35	2
E								
Eastman Kodak Co.	185¾	77	87⅞	35¼	61⅜	46	48¾	3
Electric Auto Lite	74⅝	20	32⅝	8½	20⅞	10	10⅛	..
Elec. Power & Light	60¾	9	16	2¾	7⅞	3⅛	3¾	..
Elec. Storage Battery	66	23	33¼	12⅝	25½	21	24⅝	2
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	14⅜	9⅛	9¼	.40
First National Stores	63	41	54½	35	56	43	48	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	2½	¾	1	..
Freeport Texas Co.	43¼	13¼	28⅝	10	26⅝	16⅛	21	2
G								
General Amer. Tank Car	73⅛	28	35¾	9⅛	20⅝	13¾	18¼	1
General Asphalt	47	9⅝	15½	4¾	7⅞	4⅝	6	..
General Baking	25⅝	9½	19⅝	10⅛	16	13	14¼	2
General G. & E. A.	8½	1¼	2¾	⅜	1½	⅝	⅝	..
General Electric	54¾	22⅞	26⅛	8⅛	16⅝	10½	12⅞	.40
General Foods	56	28¼	40½	19⅝	28¾	21	26	2
General Mills	50	29⅛	48½	28	44¼	35½	43¾	3
General Motors Corp.	48	21⅝	24⅝	7⅝	14⅞	10	12	1
General Railway Signal	84⅛	21	28⅝	6⅛	20⅞	13¼	17½	1
General Refractories	57⅞	12	15⅝	1¾	6⅛	2½	2⅞	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	11½	12⅛	1
Gold Dust Corp.	42⅛	14⅛	20⅝	8¼	16⅞	12	14	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	6⅛	3	4½	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	18¾	9¼	14⅜	..
H								
Hershey Chocolate	103¾	68	83	43½	57⅞	35½	38	3
Houston Oil of Texas (New)	14	3	28¼	8¾	3¼	1⅞	2⅛	..
Hudson Motor Car	26	7¾	11¾	2⅞	5½	3	3½	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	3⅛	1⅝	1¾	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	31⅛	19⅛	25½	1½
Inter. Business Machines	179⅜	92	117	52½	97½	75¾	91	6
Inter. Harvester	60⅛	22⅜	34⅛	10⅜	25¾	13⅝	22⅝	.60
Inter. Nickel	20⅛	7	12½	3⅛	9⅛	6¾	8½	..
International Shoe	54	37	44⅜	20¼	29½	24¾	28⅞	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	8½	5⅛	5¾	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	23¾	12¼	17½	..
K								
Kennecott Copper	31⅛	9⅝	19¼	4⅞	11½	7⅜	10	..
Kresge (S. S.)	29⅝	15	19	6⅝	10¾	5½	6	..
Kroger Grocery & Baking	35½	12⅛	18⅞	10	19⅝	14⅛	18¾	1
L								
Lambert Co.	87⅞	40⅛	56⅜	25	34⅛	22⅛	25	4
Lehman Corp.	69⅜	35	51⅞	30⅛	47¾	37½	42	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	63⅜	49¼	60⅞	*5
Liquid Carbonic	55¼	13⅛	22	9	18½	10¼	16¼	..
Loew's, Inc.	63½	23⅞	37⅜	13¼	21½	8½	10⅞	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16⅛	27	19¼	24¾	2
Lorillard	21⅞	10	18⅜	9	14⅛	10⅜	13⅞	1.20
M								
Mack Truck, Inc.	49⅞	12	28⅜	10	23½	13½	20⅞	1
Macy (R. H.)	106¼	50	60½	17	35¾	24⅛	35¼	2

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 4/5/33	Div'd $ Per Share
M								
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	6½	.80
Mathieson Alkali	31½	12	20⅞	9	18½	14	16½	1½
McKeesport Tin Plate	103½	38½	62¼	28	57⅜	44⅛	51½	4
Mont. Ward & Co	29¼	6⅝	16⅛	3½	15	8⅝	13⅛	..
N								
Nash Motor Co.	40⅞	15	19¾	8	15⅛	11¼	13	1
National Biscuit	83¾	36⅜	46⅞	20¼	41¾	31½	36	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	9⅛	5⅛	8½	..
National Dairy Prod.	50⅜	20	31⅜	14⅜	18¼	10½	14	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	15¼	6⅞	7⅝	1
National Steel	58⅛	18½	38⅞	13⅛	22	15	17⅝	.50
Nevada Consol. Copper	14¾	4¾	10¼	2½	6⅛	4	5⅛	..
North Amer. Aviation	11	2⅜	6⅝	1¼	7⅛	4	4⅝	..
North American Co.	90¼	28	43¼	13¾	31½	15¼	16¼	§8%
O								
Ohio Oil	19½	5⅛	11	5	7⅛	4¾	5⅜	..
Otis Elevator	58½	16⅛	22½	9	14	10⅛	11⅞	.60
Otis Steel	16⅜	3½	9¼	1¼	4⅜	½	2¼	..
Owens Ill. Glass	39¾	20	42¼	12	45¼	31¼	43	2
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31¼	20⅛	21½	2
Pacific Lighting	69½	35	47⅛	20¾	43⅜	25¼	26½	3
Packard Motor Car	11⅞	3⅞	5¼	1½	2⅞	1¾	1⅞	..
Penney (J. C.)	44¾	26¾	34⅛	13	27¾	19¼	22⅞	1.20
Peoples Gas—Chic.	250	107	121	39	75	45	45⅛	5
Phelps Dodge Corp.	25⅝	5⅞	11⅝	3⅞	7½	4½	6¼	..
Phillips Petroleum	16⅝	4	8⅛	2	6½	4¾	6	..
Procter & Gamble	71¼	36⅝	42¾	19⅞	29½	19⅝	26	1½
Public Service of N. J.	96½	49⅝	60	28	55¼	33¼	33½	2.80
Pullman, Inc.	58½	15¼	28	10½	24¾	18	22¼	3
Purity Bakeries	55¼	10¾	15⅞	4⅜	10	5⅞	8	1
R								
Radio Corp. of America	27⅛	5⅛	13½	2⅛	6	3	3⅞	..
Radio-Keith-Orpheum	4	2⅜	7¾	1½	3⅝	1	1⅛	..
Remington-Rand	19¾	1⅞	7½	1	4½	2½	3⅛	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	7¼	4	5⅛	..
Reynolds (R. J.) Tob. Cl. B	54⅛	32½	40¼	26½	33⅝	26½	30⅜	3
Royal Dutch	42⅝	13	23¾	12⅛	21⅝	17⅝	18⅛	..
S								
Safeway Stores	69½	38⅝	59¼	30⅛	42⅝	28	33	3
Sears, Roebuck & Co	63¼	30¼	37⅜	9⅞	22⅛	12½	17⅜	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅝	20¼	15	18¼	*.50
Servel, Inc.	11¾	3½	5⅜	1⅛	2¼	1½	1⅝	..
Shattuck (F. G.)	29½	8¼	12¾	5	10	6⅛	7¼	.24
Shell Union Oil	10¼	2½	8¾	2⅛	5⅝	4	4⅛	..
Simmons Co.	23¾	6⅞	13⅜	2¾	8¼	4⅜	5⅛	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	7⅞	6	6¼	.40
So. Cal. Edison	54½	23⅜	32¾	15¾	28	17¾	17¾	2
Standard Brands	20½	10½	17⅞	8⅜	18⅛	13¾	15	1
Standard Gas & Elec. Co.	88⅝	25⅛	34¼	7⅝	15¾	5⅛	6⅜	..
Standard Oil of Calif.	51¾	23⅛	31⅞	15⅛	26	19½	22⅛	2
Standard Oil of N. J.	52½	26	37⅜	19⅞	31⅜	22¾	25¼	1
Stone & Webster	54½	9⅞	17⅜	4⅝	10⅝	5¾	6½	..
Studebaker Corp.	26	9	13¾	2½	5¼	1½	1⅞	..
T								
Texas Corp.	36¼	9⅞	18¼	9¼	14⅛	10¾	12¼	1
Texas Gulf Sulphur	55¾	19½	26¾	12	25	15¼	18¾	1
Texas Pac. Land Tr.	17⅝	4¼	8½	2½	5⅜	3½	3⅝	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	4	3⅛	3⅜	..
Timken Roller Bearing	59	16½	23	7¾	17⅝	13¾	15⅜	1
Transamerica Corp.	18	2	7⅛	2⅛	6	2⅝	4¼	..
Tri-Continental Corp.	11¾	2	5½	1½	4½	2¾	3¼	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	14½	9¼	14	.50
Union Carbide & Carbon	72	27⅛	36⅝	15⅛	28⅜	19¾	22⅞	1
Union Oil of Cal.	26⅝	11	15⅜	8	11⅝	8½	10¼	1
United Aircraft & Trans.	38⅞	9⅞	34⅜	6½	28¾	16½	20¾	..
United Carbon	28¾	6⅛	18	6⅝	15	10¼	11½	..
United Corp.	31¼	7½	14	3½	10⅛	4⅞	5¼	.40
United Corp. Pfd.	52⅛	26⅛	39⅝	20	37⅜	24⅞	26	3
United Fruit	67¾	17½	32⅜	10¼	35½	23¼	33⅜	2
United Gas Imp.	37½	15⅜	22	9¼	20⅜	14	14½	1.20
U. S. Industrial Alcohol	77⅜	20⅝	36¼	13¼	27¼	13½	22⅝	..
U. S. Pipe & Fdy.	37½	10	18⅛	7¼	10⅝	6⅛	7½	.50
U. S. Realty	36¾	5½	11¾	2	5⅝	2½	3½	..
U. S. Rubber	20⅜	3½	10¼	1¼	5¾	2⅞	3½	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	23⅞	13½	23½	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	33¾	23⅜	28⅝	..
U. S. Steel Pfd.	150	94	113	51⅛	67½	53	60	2
Util. Power & Lt. A	31	7⅞	10⅜	1⅛	4⅛	2	2	..
V								
Vanadium Corp.	76⅜	11	23⅜	5¼	14⅛	7⅝	11	..
W								
Warner Brothers Pictures	20⅝	2⅛	4½	½	2¼	1	1½	..
Western Union Tel.	150¾	38½	50	12⅜	31	17¼	18⅝	..
Westinghouse Air Brake	36½	11	18¼	9¼	16⅞	11⅜	15¼	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	31¾	19⅜	24⅛	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	37⅛	25½	28⅞	2.40
Worthington Pump & Mach.	106⅞	15¼	24	5	16	8	11	..
Wrigley (W. Jr.)	80⅝	46	57	25¼	39⅞	34½	37⅝	3

§ Payable in stock. * Including extras. ‡ Old stock.

Answers to Inquiries

(Continued from page 685)

SUN OIL CO.

As a stockholder in Sun Oil Co., I am interested in knowing if you look for an increase in the dividend in view of its earning $2.35 against the $1 rate. Or do you believe its policy of paying stock dividends will be pursued? Would you hold or sell 120 shares of this company's common bought in 1929 at 76?—F. R. T., Erie, Pa.

The annual report of Sun Oil Co. revealed net income of $4,198,046, equal after dividend requirements on the 6% preferred stock to $2.35 a share on the no par common stock outstanding as of December 15, last, before distribution of the 3% stock dividend on the common shares on that date. This compares with net of $3,107,147 or $1.63 a share for the calendar year 1931. As of December 31, last, total current assets amounted to $23,888,334, against total current liabilities of $7,986,893, leaving net working capital of $15,901,441. In connection with the current position of the company it should be noted that cash was increased $2,243,881 during the year, while notes payable outstanding in the amount of $1,965,750 as of December 31, 1931, were entirely eliminated. Prospects during the current year are clouded by sharply lower prices and increasingly keen competition as well as reduced consumer demand. In the light of this unsatisfactory condition of the petroleum industry, as a whole, it is unlikely that an increase in dividend distribution will be witnessed during the current year, at least. As a matter of fact, stockholders should regard themselves as fortunate in the prospect that the strong financial condition of the company will enable it to maintain current cash dividend rate of $1 a share annually. The possibility of a stock dividend later in the year will depend entirely upon conditions at that time. Though the medium term outlook of the Sun Oil Co. is admittedly restricted, the longer term potentialities are favorable and we regard its shares as suitable for retention in the average business man's portfolio.

TIMKEN ROLLER BEARING CO.

What do you advise in regard to my holdings of Timken Roller Bearing Co.? I note that this company had quite a large loss in earnings last year and with the poor showing being made by the railroad and automobile companies, their best customers, I can't see any nearby pick-up for their business. Do you look for any dividend adjustment? Do you advise me to hold or switch?—V. M. O., Springfield, Mass.

Timken Roller Bearing Co., reported a loss for the 12 months ended December 31, 1932, of $482,827, compared with net income of $2,571,241 or $1.06 a share on the no par capital stock for the calendar year 1931. The balance sheet dated December 31, 1932, revealed a strong current position, cash alone amounting to $1,345,207 against total current liabilities of $512,213. Marketable securities, less a reserve of $140,000 to reduce to approximate market value, were carried at $12,211,173. Although net working capital declined approximately $1,900,000 during the year to $18,543,689, this amount is ample to meet the financial requirements of the company for some time ahead.

The company has retained all of its automotive customers and has carried on an aggressive campaign for applying Timken Bearings to axles of existing locomotives and cars in the absence of new equipment purchases. Furthermore, the research department has been kept busy in an effort to broaden the scope of the company's operations and recently has developed an alloy steel, suitable for use as tubes in high pressure boilers, superheaters and cracking steel. Obviously, the current dividend rate cannot be regarded as entirely secure, but prevailing quotations for the shares amply discount this uncertainty. The common stock of Timken Roller Bearing offers interesting potentialities and, providing that you are not averse to assuming reasonable speculative risk maintenance of your present position is advocated.

MACK TRUCKS, INC.

I have been left 200 shares of Mack Trucks, Inc., stock. In view of the $1,479,000 loss sustained by this company last year, and the delayed demand for heavy trucks what do you think of the near-term prospects for this stock? Do you advise selling at this time?—F. R. T., Flint, Mich.

Unit sales of Mack Trucks, Inc., continue to reflect the reduced demand for heavy duty motor trucks. The report for the year ended December 31, 1932, revealed a decline in dollar sales of approximately 48%, from those of the previous year. Nevertheless, as a result of operating economies, the net loss, after taxes, depreciation, etc., amounted to $1,479,598, compared with a loss of $3,032,410 in 1931. The financial position of the company at the year-end was strong, total current assets, including $9,767,786 cash and United States Government securities, amounted to $29,204,680, while current liabilities were only $1,666,784. As the leading manufacturer of heavy duty trucks and buses, earnings will undoubtedly remain restricted until some improvement comes about in the industries employing such equipment. Some betterment in sales, however, should be experienced as a result of the legalization of beer. During the past year the company acquired 59,934 shares of its capital stock, which brought the total held in the treasury to 103,217 shares. These were subsequently cancelled. Although the current dividend cannot be regarded as secure, prevailing quotations appear to amply discount that fact. Moreover, Mack's strong financial and trade position together with its capable management, appears to assure it of eventual earnings recovery. Accordingly, we see little cause to disturb strictly long pull commitments in the shares.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO.

What do you make of the present market action of Westinghouse Electric & Manufacturing common in view of its range from 19¾ to 31¾ this year—its frequent daily variations of 2 and more points? Do you believe its $9,000,000 loss last year will prevent its rising with any upward market trend? Do you advise holding or selling this stock now?—T. K. P., Scranton, Pa.

Westinghouse Electric & Manufacturing Co., incurred a loss from operations during the calendar year 1932 of $8,903,540, as against $3,655,660 in 1931. Furthermore, recent estimates indicate that the deficit in the first

quarter of 1933 amounted to more than $2,000,000 as against a loss of $1,320,448 in the initial quarter of 1932. To judge the shares solely upon current operating results is unwarranted, since such an appraisal can prove of little value in anticipating the future prospects of the issue. More important at the moment, are the competitive and financial phases of the company's position. In the first instance, little need be said relative to the trade position of Westinghouse Electric since it still ranks as the second largest manufacturer of electrical equipment in the country. Furthermore, despite the unprofitable operations of the past three years the fiscal position of the company remains exceptionally strong. As of December 31, last, cash and equivalent amounted to $21,939,245, while security investments were carried at a market value of $10,912,519; the aggregate of the two items almost equalled four times total current liabilities of $4,333,692. The ratio of total current assets to total current liabilities amounted to 18 to 1. When careful consideration is given to the foregoing report there need be little question as to the ability of Westinghouse to withstand the adversities of the remainder of the current depression. Obviously, little can be expected of the heavy equipment division of the company until business activity attains substantially higher levels. As the situation now stands the sale of electric refrigerators is proving the most profitable division of the company's operations, and promises to be an important revenue producer as time progresses. All in all, we see little reason for stockholders of the company losing hope and believe that the shares offer distinct merit as a medium for participation in any sustained period of business revival.

CORN PRODUCTS REFINING CO.

Last year you advised me to average down on Corn Products Refining common I had bought in 1929 and 1931 at an average price of 86. Had I acted on it I would own 300 shares of this stock at today's price. Do you think it too late to average now? Do you think this company's present dividends are assured? What do think of its prospects this year?—H. M. K., Chicago, Ill.

Corn Products Refining Co., reported for the year ended December 31, 1932, a net income of $8,761,638, equivalent after preferred dividends, to $2.77 a share on the common stock, compared with $10,709,775, or $3.54 a common share in 1931. Earnings benefited materially as a result of increased activity in the textile industry, especially during the latter half of 1932. Moreover, the decline in raw material costs has been greater than the price reduction on its package foods and other products. It is understood that sales of Karo, Linit and Mazola are registering a considerable improvement over those of last year, while bakers and ice cream manufacturers are steadily increasing their use of corn sugar. Corn Products is in an excellent financial position, total current assets as of the year end, including $38,512,049 cash and marketable securities, amounted to $49,908,222 and current liabilities stood at $3,350,205. Although the company's domestic business is the most important division, plants are operated in Europe, Brazil, Argentina and Japan. Thus, the company is in a position to shift its refining activities about the world and to take full advantage of corn crop conditions. The reported net of $2.70 a share is obviously insufficient to fully cover the current dividend; but had the full equity in earnings of affiliated foreign units been included, this would have been earned with something to spare. When consideration is given to the company's excellent record under present conditions and its favorable long term prospects, we feel that additional purchases at the present time are fully justified.

BANGOR & AROOSTOOK R. R.

You recently said that Bangor & Aroostook is largely dependent on potato crops. I am undetermined whether to hold 100 shares of this stock bought at an average of twice today's prices, or switch to another carrier with more diversified traffic. Please advise me whether you advise holding or switching.—T. L. K., Chattanooga, Tenn.

Operating in the State of Maine, the Bangor & Aroostook is largely dependent for its income upon shipments of agricultural products (chiefly potatoes) and timber. These have been at a rather low ebb during the past two years and gross earnings have declined accordingly. Nevertheless, operating economies, together with higher potato prices permitted this road to report an increase in net income last year over that experienced in 1931. The company reported a net income of $701,493, equivalent after preferred dividends, to $3.23 a share on the common stock, compared with $623,133, or $2.67 a common share in 1931. Rolling stock and roadbed are reported to have been maintained in excellent condition. Currently, earnings are comparing quite favorably with those of the corresponding months last year. The financial position, as of January 31, 1933, was strong, total current assets amounted to $1,924,892 and current liabilities were $465,428, compared with $1,858,361 and $548,702, respectively, a year earlier. The road faces no bond maturities of consequence for several years, nor are there any bank loans outstanding. When consideration is given to the ability of Bangor & Aroostook to report increased earnings at a time when most railroads have found it difficult to even cover fixed charges, it would appear that its securities merit favorable consideration. Accordingly, we see little to be gained by a switch from the common stock of this road into another railroad equity and counsel maintenance of your present holdings.

OTIS ELEVATOR CO.

What is the outlook for Otis Elevator Co.? I have been holding 100 shares hoping that conditions would improve. I am now wondering if it would pay me to take my loss and switch into some other company with quicker prospects for recovery. I would appreciate your advice in this matter as I am desirous of recovering my losses as quickly as possible.—H. D. T., Philadelphia, Pa.

Otis Elevator Co., during the past year continued to feel the full effects of the declining trend in building activity. Moreover, its rather substantial foreign subsidiaries, although making a relatively better showing than the domestic business, are being adversely affected by exchange instability. The company reported for the year ended December 31, 1932, a net income of $307,519, equivalent to $4.73 a share on its 6% preferred stock, compared with $4,414,963, or $2.01 a share on the common stock, after preferred dividends, in 1931. Current assets, as of the year end, including $11,520,537 cash and Government Securities, amounted to $19,768,256, while current liabilities were $1,055,685. Although this strong financial condition would permit the maintenance of dividends on the common stock for a considerable further period the conservatism of the management and its desire to retain a strong current position renders doubtful continued distributions. While orders from the Government have had a stabilizing influence upon operations, little betterment can be reasonably anticipated prior to a considerable pick-up in building activity. Nevertheless, the unpromising near term earnings outlook appears amply discounted by prevailing low quotations and when consideration is given to the favorable long-pull prospects, continued retention of the shares is warranted.

ALLIED CHEMICAL & DYE CORP.

I have 100 shares of Allied Chemical & Dye common I bought at 144¼ in 1931. I have been advised to buy another 100 shares to average down my original price. I hesitate because this company earned

only $3.62 last year. Your advice will be appreciated, as will any information you may give me about this company's position and prospects.—A. B. L., Canton, Ohio.

Allied Chemical & Dye Corp., reported for the year ended December 31, 1932, a net income of $11,441,189, equivalent after 7% preferred dividends, to $3.62 a share on the common stock. These results compare with $18,931,510, or $6.74 a common share in 1931. The balance sheet continues to reflect this concern's exceptionally strong financial position, total current assets as of the year-end, amounted to $150,654,699, while total current liabilities, including tax reserves, stood at $8,029,543, compared with $152,407,823 and $9,340,307, respectively, at the close of 1931. While earnings of Allied Chemical have declined steadily since 1929, it is believed that the worst of this decline has already been witnessed. As a matter of fact, the efforts of the Federal and state government to relieve unemployment should result in increased road building activities as soon as weather conditions permit. This should at least sustain earnings of the Barrett Division, which produces "Tarvia," widely used in highway construction. Moreover, as one of the world's leading chemical producers, earnings should promptly reflect increased industrial activity as it appears in evidence. In the meantime, activity in the textile and rayon industries should maintain sales of dyes, alkalies, caustic soda and various bleaching chemicals, while the synthetic nitrogen plant at Hopewell, Va., is in a position to benefit from eventual improvement in agricultural conditions and world trade generally. All in all, we regard the common stock of this company as an attractive long pull holding and feel that you might well employ periods of market weakness to purchase additional shares with a view to averaging down the cost of your holdings.

Climax of the Movie Tragedy Approaches

(*Continued from page* 671)

necessary. If it were not for the expense of the move, production could be carried on in and about New York, but to move administration to Los Angeles would cost nothing to speak of and save millions.

And nothing but rapacity and greed actuated the incursion of the production and distribution companies into exhibition. They required directly or indirectly 3,500 theaters, and every one a first-run house. In so doing they violated a basic commercial rule that has never been successfully evaded; the manufacturer cannot be also the retailer. Now, with perhaps, 2,000 of their theaters left, the producing companies are realizing the truth of the rule. It has nearly ruined them to disobey.

The Hays organization had its income from a fixed percentage of the profits of the companies included in the Motion Picture Producers and Distributors of America, but for many months there have been no profits, and so no income for the Hays concern. Apparently Hays had forseen this, for some time since he established a reserve fund, and on that he and his group have been functioning, but reserve funds are not inexhaustible, and the next question is: what will become of a Republican Hays in a Democratic country?

It is my considered opinion that when much of the water is squeezed out of the motion picture industry; when it comes to be administered by sane business men who have the background and knowledge of the country's amusement needs, it may return to 50 per cent of its former financial position, but that will mean abandonment of superfluous studio plants, retirement from exhibition, cancellation of absurdly extravagant contracts, readjustment of compensations and some appreciation of what makes a successful picture, which isn't filth, by the way.

What can the banks hope for in liquidation of their enormous loans? That will depend on their willingness to look their situation and the facts in the face. There will be losses inevitably. It will do the bankers no good to send out salvage corps from their own offices. That has been tried and the result is flat failure. But there are men in Hollywood who know pictures, can bring order out of chaos, who are real business executives and who have demonstrated their ability, but they are not affiliated with any studio today. They couldn't be.

And if the banks do not act to protect their loans—and perhaps if they do—undoubtedly stockholders themselves must guard their interests, for as conditions are now their securities are worth but a fraction of what was paid for them. The results of the Congressional investigation into the motion picture industry, suggested by the Sirovich resolution and adopted by the House Rules Committee should prove of wide public interest.

Actually the movie business is a five-and-ten enterprise, reaping its greatest profits in the years when production costs stayed below $40,000 for a feature and the top admission price to a theater was 15 cents. Since then greed and rare stupidity have all but wrecked it. However, if there is a bright spot, it will lie in the rise of the independent producer who has been half strangled during many years.

Readers' Forum

(*Continued from page* 684)

of it. My own railroad investments were made with full knowledge of the trends against railroads, but also with full confidence that the Government would finally be fair to railroad investors. In this respect, it appears I was in error. After these debts are all cancelled, we will have unlimited room for credit, and prices will immediately go up. It is only a system of robbing the present creditor in the interest of someone else who will take advantage of expanding credit and rising prices to accumulate property.—L. A. F., Glendive, Mont.

A Plea for Revaluation

Editor, Readers' Forum:

I hope that I am not boring you with my letters about money. The subject interests me so greatly that I seem to think it must be equally interesting to others. Acting like children in looking one way and going another, we stumble. For example, the gold standard and central bank theory are inconsistent: The central bank relies upon a high bank rate to discourage credit issue whereas a high bank rate tends to attract gold and to make the member banks independent of the central banks. While the central bank's power is largely a negative one, a low rate tends to expand credit issue, yet a low rate also tends to expel gold and thus to decrease member banks' reserves and to contract credit.

Again, the gold standard and our protective tariff are inconsistent: Other countries with depreciated money are enabled to undersell us here, tariff included, and greatly to undersell us elsewhere.

Also, the gold standard renders very difficult our position as chief creditor nation: We will not permit payments in goods or services (if we can prevent it) and the consequent increased demand for gold increases yet more its value. While we may be only partly to blame for the swollen value of gold, I am convinced that our senseless support of this swollen value is now retarding recovery everywhere; and that we could lessen its value if we would.

Gold's devaluation does not mean its decreased use as our monetary base: It means simply that it shall no longer rule as the standard of value. Money,

then as now, should be redeemable in gold. We are facing several long, lean winters, if we do not devaluate.—M. K. GRAHAM, Graham, Texas.

What the Roosevelt Program Will Do for Business

(*Continued from page 665*)

But consider the siphon analogy. Here's a great reservoir of business ready to flow down hill, but stopped by a dam. Once you can suck the liquid up through a pipe over the dam it will continue to flow of itself.

Now let's take a look at the dubious ground of Roosevelt and foreign relations: Do you believe in vigorously promoted foreign trade and reduced tariffs? And increased imports? Then you won't believe in the Roosevelt foreign policy as a business help. On the other hand, do you believe in subsidizing exports with more loans of good American money to foreigners? There's bound to be some foreign commerce. Shall it be goods against goods or goods against loans? Shall we buy from the foreigner to square his purchase account or shall we lend him—as we did for fifteen years—money with which to buy from us and, incidentally, to finance a competition that will make it unnecessary for him to buy? And if you are opposed to more loans, will you like to see the war debts reduced? Roosevelt policy looks toward more exports for more imports, and debt concessions for still more exports. It dreams of a new age of American commercial expansion beyond the seas.

On the whole this is what Roosevelt is doing for business:

1. Stopped the bank and money panic in its tracks.
2. Gave us sound and respected banks.
3. Held the gold standard against friends at home and enemies abroad.
4. Solidified national credit and strengthened private confidence by his "moral" balancing of the budget.
5. Speeded up the comeback of beer as a fiscal and business-starter measure.
6. Puts the skids under the incubus of impossible debt—private, railroad, farm and home.
7. Launched the great experiment—as a business-starter—of transferring purchasing power from the city to the country.
8. Summoned 250,000 desperate men to healthful jobs and new hope in the public forests.
9. Boldly handed five hundred millions of Federal money to the states for the relief of the unemployed, thereby lightening local loads on business.
10. Began reform of methods of issuance and distribution of securities.
11. Got farther on the railroad problem in one month than the advance made in thirteen years before.
12. Brought on a show-down in war debts and our foreign trade relations.
13. Business machine now ready to start, he thinks, but if it doesn't he proposes to start it—and that may be the biggest thrill of all.

Sugar Industry Faces Sweeter Prospect

(*Continued from page 677*)

THE MAGAZINE OF WALL STREET of April 1.

To sum up, strictly from the point of view of the security holder, it may be said that the divisions of the sugar industry, which will receive the most benefit from the recently improved statistical position and the better price prevailing as a result of this improvement, are the Porto Rican producers and to a somewhat smaller degree the domestic refiners. There is nothing attractive in the securities of Cuban companies, although it is just possible that the United States will acknowledge a responsibility for the state of affairs in that unfortunate island and make some modification of the tariff or arrange some system of quotas. Something along these lines is being attempted at the moment, but it is yet too early to hazard a guess as to the outcome. Holders of Cuban sugar securities must watch our government for clues to the future of their holdings.

As has been said, the American beet producers need still higher prices, although there is something to be said for the better companies as radical speculations. At the moment Porto Rican producers are better situated from the security standpoint than domestic refiners though a changed tariff might reverse the position. In any event, recognizing that the general position of sugar is still speculative despite the recently registered improvement, the last two divisions of the industry present investors with a "commodity" situation of which they possibly may be glad to avail themselves.

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1933 Price Range High	Low	Recent Price
Alum. Co. of Amer.	54¼	37¼	41¼
Alum. Co. of Amer. Pfd. (1½)	52¾	37	41
Aluminum, Ltd.	20¼	13¾	18
Amer. Cyanamid, B	6¼	3¼	5
Amer. & For. Pr. war.	5⅛	2⅝	2⅝
Amer. Gas & Elec. (1)	33¼	17⅞	17⅝
Amer. Founders	1¼	¾	¾
Amer. Superpower	5⅛	2½	2¾
Assoc. Gas Elec. "A"	2⅝	1	1
Bunker Hill & S.	18	14½	16½
Carnation Co.	7½	5¼	7
Cities Service	3½	2	2¼
Cities Service Pfd.	17½	10½	11½
Colum. G. & E. Co. Pfd. (5)	96	68	68
Consol. Gas Balt. (3.60)	65	43¾	43¾
Cleve. El. Ill. (1.20)	32½	20½	20½
Cord Corp. (.10)	7⅛	4⅜	5¼
Crown Cork Int'l A.	3½	2½	3¼
Deere & Co.	12½	5¾	11⅛
Elec. Bond & Share Pfd. (6)	43⅜	27¾	28¾
Elec. Bond & Share (6% stk.)	21⅞	10	11⅞
Eureka Pipe Line (4)	28½	20	25¼
Ford Motor Can. A.	7	4⅞	5
Ford Motor. Ltd.	3½	2⅝	3

Name and Dividend	1933 Price Range High	Low	Recent Price
General Aviation	5	2⅞	3¾
Goldman Sachs T.	3⅝	1⅞	2
Great A. & P. Tea N.-V. (7)	155	128	138
Gulf Oil of Pa.	31	24	29¼
Hollinger Gold (.80)	7⅜	5¼	6¼
Humble Oil (2)	45	40	40¾
Inter. Petrol (1)	10⅞	8⅞	9⅛
Long Island Lt. (.40)	12¼	11⅜	11½
Nat. Bellas Hess	1⅞	¾	1¾
Nat. Sugar N. J. (2)	30½	22¼	30½
New Jersey Zinc (2)	32	26⅛	31
Niagara Hudson Pwr. (1)	16⅜	8½	9
Penroad Corp.	1⅞	1⅛	1¼
St. Regis Paper	3⅛	1½	2
Salt Creek Prod. (1)	4½	3½	4
Singer Mfg. (6)	102	90	94½
Standard Oil of Ind. (1)	22⅛	17	19
Stutz Motor Car	17⅝	8⅞	9⅝
Swift & Co.	11¼	7	9⅜
Swift Int'l (2)	17¾	12¼	16¾
United Founders	1½	1	1
United Gas Corp.	2¼	1⅛	1¼
United Lt. & Pow. A.	4⅜	2	2¼

MODERATE and irregular rally has at this writing interrupted the persistent downward trend of prices evident on the New York Curb Exchange during most of the period since the spasmodic one-day upturn following the lifting of the banking holiday. Trading volume is at low ebb, reflecting both an absence of public participation and a lack of much conviction on the part of professionals.

Utilities Cause Concern

In this market, as well as on the Stock Exchange, the performance of the public utility stocks has for some weeks been a cause of concern. Selling has not been heavy at any time, but it has thus far failed to bring out any substantial demand or even more than a dribble of short-covering. Rally in a few other groups has succeeded in providing a lull for the utilities, without lifting quotations more than a trifle from previous lows.

Currently, the statistics on electric power production are showing modest improvement in narrowing the decline from a year ago, perhaps offering tentative hope that this group of stocks may be at or near bottom. The political setting, however, is unfavorable, involving not only rate agitation but a drift toward more strict political regulation and, for the longer future, a threat of government competition. Of more immediate influence is the continued downtrend of earnings. Thus, Niagara Hudson's 1932 report has attracted attention, earnings being only 7 cents above the dividend requirement. The relatively strong American Gas & Electric Co. shows earnings now at the rate of about $2 per share.

Some Cheerful Spots

Aside from the utilities, the market is not without spots of cheer. National Sugar has been carried up to a new high for the year on a combination of inflationary psychology and the industry's improved statistical position. Improved buying also has appeared in Swift & Co. and Deere, while Aluminum has rallied somewhat from previous prices. Following the movement on the Big Board, the Curb gold stocks have come in for increasing demand, with Pioneer Gold at a new high.

The aviation stocks also are making a relatively good showing, with Pan-American Airways advancing briskly on its report of $1.36 per share earned in 1932, against 21 cents in 1931. Although the oil situation remains confused, these issues display slightly increased firmness at present, apparently reflecting hopes both of more effective proration and of a measure of international production control.

For What Are You Waiting?

New Philosophy of Investment and Trading Points Way to Capital Protection and Profits in Present Market

By A. W. WETSEL

PEOPLE who *are* making financial headway have adopted a new philosophy of investment and trading—a plan that clearly points the way to protection and growth. They have quit hoping to recover losses by following the same rule-of-thumb methods that proved such costly, half-true guides.

They have discarded the theory that the best policy is to "buy and hold"—they know that they overlook valuable profit opportunities if they "wait for the turn," without having any means of recognizing "the turn."

But it is not to THE turn that sound investors and successful traders look for protection and profits. Knowing that "if you are right in the short swings you are bound to be right in the long pull" they look to *all* TURNS.

Capital CAN Be Made to Grow—Today

By adopting a flexible, open-minded investment and trading policy it *is* possible to make money today. For, as in business, turnover is the first principle of sound investment. A *series* of small profits through capitalizing short swings—when they are available—involves far less risk than waiting for the profit that *may* come from a "long-pull" investment.

The question then arises, how is one to KNOW when to take advantage of such a turn? But the question really is incomplete. The problem actually requires for its solution a practical knowledge of WHEN to buy—and sell, WHICH securities and at WHAT price.

In the hope of obtaining such vital knowledge, investors for years turned to statistics. Recent events, however, have proved that raw statistics are mere records and do not foretell market action. What set of figures can you choose that will forecast a turn in the market? Or, to what set of figures can you point that definitely foretold even one important market turn in the last three years?

The answer is that there are other factors that govern the market price of securities.

Price movements, it now is recognized, are governed by forces within the market itself. Only through the correct interpretation of the effect of these forces can price movements be foretold with any degree of accuracy.

This new philosophy of investment and trading points the way to security and capital appreciation in the present market. Through it capital *is* being made to grow—today.

THE WETSEL RECORD*

WETSEL TECHNICAL FACTORS, developed through years of intimate market study, foretold:

- **—the October, 1929, break in September—and again on October 7 of that year.**
- **—the break of May, 1930, when others, proclaimed the market was definitely on its way to "normalcy."**
- **—the break of April, 1931, when business indices and statistics indicated broad improvement, Mr. Wetsel wired his clients to sell both investment and trading holdings.**
- **—five major upswings that occurred during this period.**
- **—the rising market of last summer (on July 9), at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.**
- **—after advising clients to STAY OUT of the market during February, specific BUYING recommendations were issued on February 27 and on March 1 and profits were taken after the sensational rise following the reopening of the Exchange.**

A Sound Method of Getting Ahead Financially

A. W. Wetsel Advisory Service, Inc., accepting this philosophy as the only sound method of protecting and building capital is engaged in correlating and interpreting the market forces that govern security prices and their turns. The above citations,* taken from the Wetsel record, are given because the dates and what they signify are so well known. These major swings, however, also emphasize the necessity for forecasting the short swings, which in the aggregate are even more important.

Through adoption of a flexible investment and trading policy and by correct interpretation of the short and intermediary swings, true conservatism is obtained, securities safeguarded and growth fostered. To you who have been losing valuable opportunities waiting for another prolonged bull market, this new philosophy supplies a plan for shortening the time when you may recoup your losses—enables you to formulate a retirement plan of your own, without an age limit—a means of getting ahead financially.

Look to the Future With Confidence

We are now passing through a period of transition, following which the market, in all probability, will pass into a new stage which will, we believe, lead to a period of selectivity wherein individual issues will reflect their individual technical positions. For the last three years the question of WHEN to buy and sell was of paramount importance. But in a period of Selectivity a knowledge of WHICH securities becomes equally necessary.

Such a market affords excellent opportunities for the informed investor to fortify his position and increase his capital. With knowledge of the laws that govern market movements and correct application of technical market factors, you can again enter the market with confidence.

Send for this Free Folder

This new philosophy of investment and trading is outlined more fully in a remarkable article by a staff-member of this organization. Exposing the dangers of following popular investment fallacies and half-truths (developed in boom times), it deals fearlessly and specifically from the technical viewpoint with such puzzling questions as: which securities to deal in; when to buy and sell; the secret of forecasting trends; which *are* forecasting factors, and other vital problems affecting true conservatism and capital growth.

Send for this free folder—see for yourself HOW this new philosophy *protects* and *builds up* capital. Mail the coupon now.

A. W. Wetsel Advisory Service, Inc.
Investment Counsellors
Chrysler Building **New York**

The A. W. Wetsel Advisory Service, Inc., is an organization founded to give investors an absolutely disinterested and independent investment management service. It has no securities for sale, nor any connection with any other organization whatever. It accepts no orders to buy securities on commission or otherwise. In short, its interests are identical with those of its clients—to safeguard capital and foster its growth through able management.

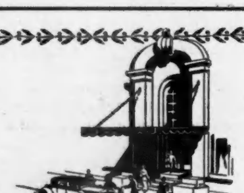
A. W. Wetsel Advisory Service, Inc.
Chrysler Building, New York

Please send me, without obligation, your analytical article, "How to Protect Your Capital and Accelerate Its Growth . . . Through Trading."
MW-19

Name ....

Address ....

City .... State ....



Intimate Letters of a Washington Journalist and His New York Broker

(*Continued from page 667*)

to be good throughout the country except in the South and the Southwest. That always used to be the sore spot. Now it is the bright spot.

Keep your tail up and tell all those legislators down there (provided you are on speaking terms with them) that they should buy a share in the coming prosperity, but please do not tell them what kind of prosperity it may be. If some of the things happen as you say, it may be the flush on the cheek of the dying patient.

In the meantime, we poor starving brokers are wondering how much more red ink we have to use before the sheriff knocks at the door. Personally, I think the picture will be much better and entirely changed for the better before the hot weather sets in.

And, before I finish, I want to tell you something about the gold standard. A copy of the London Times just came to my attention. I notice they say editorially that there are only two people in this world who really and truly understand the gold standard and know what it is all about—but they have opposite views.

Yours,

PERRY.

P. S. It would be too bad if the Morgans had to give up their private banking business—I hate to change my accounts.

Will Federal Bond Issues Bring On or Prevent Inflation?

(*Continued from page 669*)

to the public and which would not involve further direct absorption of banking assets. There would be grave danger, however, in moving too fast in any project to offer, say, 5 billions of bonds, for a possibility of failure or of inadequate response would involve a grave risk to Government credit. Many bond experts believe that the present floating debt of 3 billions is not unwieldy and for the present should be left alone. What is needed is a demonstration that the Government can sell a long-term bond. This would probably be a small issue, put out as a test of the market rather than as a major piece of financing.

Although the actual economic movement for the present remains one of deflation, the possibility of ultimate forced inflation resulting from excessive Federal borrowing continues to be one of the greatest factors of uncertainty making for caution on the part of both business and investment sentiment. It is being kept fresh in the public mind by reiterated inflationary agitation on the part of responsible members of Congress.

This agitation in itself tends to turn intelligent private investors from purchases of new Federal bonds. On the other hand, banks may for some time remain willing to purchase additional issues, both because of attractive rates and because under the new banking act such bonds can be turned into cash at any time.

In the event that a large public bond issue proved successful, the effect would be to postpone any more direct inflation. The ultimate test, however, is whether the Government's program, is spending actually succeeds in stimulating business activity. If not, heavy borrowing will merely have pushed us farther along the road to fiat inflation.

What's Wrong With the Public Utilities?

(*Continued from page 675*)

graphical conditions rates throughout the country vary greatly. There is no doubt that in some sections they are out of line with present economic conditions and should be lowered, but the generality is that throughout the country, both by compulsion and voluntary company action, the trend of rates is downward, as it has been for years. Indeed, voluntary rate reduction, as fast as possible, has proved good business for the utilities, especially in the promotion of the vast domestic market. This market, with its increasing use of electric appliances of all kinds, has contributed remarkably to the stability of the industry throughout the depression, domestic consumption of electricity having actually expanded up until the final quarter of 1932, since which time there has been a modest contraction.

Illustrating a ludicrous popular mis-

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, March 27	62.60	56.53	27.33	53.92	52.66	501,490
Tuesday, March 28	62.32	57.92	27.83	54.07	52.15	600,790
Wednesday, March 29	62.15	56.81	27.14	54.08	52.64	624,796
Thursday, March 30	61.74	56.49	26.74	53.02	52.15	627,450
Friday, March 31	61.13	55.40	25.54	53.05	50.55	880,845
Saturday, April 1	60.92	55.66	25.06	51.52	50.44	447,160
Monday, April 3	60.58	55.69	24.99	51.89	50.57	599,840
Tuesday, April 4	60.36	56.09	24.55	51.70	50.19	721,300
Wednesday, April 5	60.09	57.50	23.64	53.12	50.87	1,145,350
Thursday, April 6	60.35	58.80	24.41	53.52	51.61	1,726,620
Friday, April 7	60.61	58.78	24.52	53.45	51.96	955,355
Saturday, April 8	60.55	59.30	25.00	53.02	52.01	439,120

understanding of this subject, a story is told of the solemn passage of a resolution by the board of aldermen of a certain city demanding that the local electric company reduce its rates to the pre-war level. It was amazed to learn that the current rates were actually far below the pre-war level. Throughout the country average domestic rates are slightly more than 6 cents per kilowatt hour, a reduction of more than 25% from the pre-war level.

For technical and geographical reasons, coal has always been the source of our major supply of electricity. A constantly increasing efficiency in its use has been achieved and this trend of improvement is continuing. There is scant prospect that public development of hydro-electric sites will ever to a major extent compete effectively with the bulk of steam production, in which field private enterprise is demonstratedly more efficient than public ownership could ever hope to be.

In summary, all such factors as the threat of governmental competition, stricter regulation and rate agitation appear to have been given exaggerated market influence. What is more immediately important is that consumption of electricity continues to run approximately 6% under the level of a year ago and that, after provision for fixed charges, present gross earnings are reflected in an increasing percentage of decline in profits available for junior securities. This factor of leverage, of course, works both ways and if it currently places equities even of some of the strong companies in a more speculative position it will similarly permit rapid earnings recovery under more normal business conditions. It is the present hope of the industry that midsummer will see a turn in the production index.

As I See It

(*Continued from page 657*)

envisage even more drastic action than what has been taken. If flagrant abuses are not remedied in trade and industry;—if it grows increasingly difficult to reconcile various interests for the common good, involving such problems as railroad management, utility operation with their attendant relationship to the solvency of savings banks, insurance companies and other fiduciary institutions,—then government ownership looms. The Federal Government is already increasingly in business; and no matter how repugnant the idea of further advances in this direction may be to the great mass of American people, further progress toward public ownership is conceivable unless business displays new courage and fresh determination to adopt necessary correctives.

Those who believe that it will require a tremendous length of time to make these adjustments and that the Government would find the task of financing a very difficult one, may be sadly mistaken. In a brief time legislation could be formulated and passed which would require all holders of various securities to turn them into the Government in exchange for Government bonds secured by the properties. It will be recalled that during the war Great Britain had no hesitancy in commandeering the foreign holdings of her citizens. Certainly the recent demand for the return of gold to the Treasury should indicate to the American people that the Government can and will take the measures necessary to protect the common welfare. Furthermore, those who are thinking in terms of various legal obstacles to the consummation of such things, should be reminded that according to the laws of the United States, any suit to be brought against the Government must have the permission of the Government itself.

Voluntary and co-operative action by all businessmen at once is urged in order to help set our national house in order. Modern business must be considered as a public trust. Unless it is run in that spirit by its present proprietors it will be so run by the Government with all the accompanying bureaucracy and intolerable inefficiency, From that event God spare us!

Appraising the Market Prospect

(*Continued from page 659*)

Pronounced weakness in German bonds remains the most sensational feature of the market, most issues having declined to new lows for the year. It is plain that the fantastic performances of the Hitler administration have dealt a severe blow to investor confidence, provoking increasing doubt that under the present German Government the full integrity of either governmental or private external obligations will be respected.

Cumulative Index to Volume 51

THE PENNSYLVANIA RAILROAD

SUMMARY OF ANNUAL REPORT FOR 1932

THE 86TH ANNUAL REPORT of the Pennsylvania Railroad Company, covering operations for the year 1932, will be formally presented to the stockholders at the annual meeting on April 11th, 1933. The report shows that although total operating revenues, the lowest since 1911, declined over $116,000,000, or 26%, as compared with 1931, the Company earned a net income of $13,573,536. This was equivalent to 2.06% upon the outstanding capital stock at the close of the year as compared with 2.97% upon the amount outstanding at the close of 1931. Net income per share (par $50.) was $1.03, as compared with $1.49 in 1931.

OPERATING RESULTS

	1932	Comparison with 1931 Increase or Decrease
TOTAL OPERATING REVENUES were................	$331,393,458	D$116,696,821
TOTAL OPERATING EXPENSES were................	242,011,603	D 110,854,328
LEAVING NET REVENUE of......................	$ 89,381,855	D$ 5,842,493
TAXES amounted to...........................	28,231,430	D 1,738,307
EQUIPMENT, JOINT FACILITY RENTS, etc., amounted to	12,018,387	D 2,180,418
LEAVING NET RAILWAY OPERATING INCOME of......	$ 49,132,038	D$ 1,923,768
INCOME FROM INVESTMENTS AND OTHER SOURCES amounted to	46,599,391	D 1,485,942
MAKING GROSS INCOME of......................	$ 95,731,429	D$ 3,409,710
RENTAL PAID LEASED LINES, INTEREST ON FUNDED DEBT AND OTHER CHARGES amounted to.........	82,157,893	I 2,958,252
LEAVING NET INCOME (Equal to 2.06% of Capital Stock)	$ 13,573,536	D$ 6,367,962

A dividend of 1%, amounting to $6,583,848, was paid to stockholders on March 15, 1933, and charged against net income for 1932.

* * *

Achievement of the results recorded above, notwithstanding extremely adverse business conditions, reflects outstanding credit upon the officers and employes. The stockholders and bondholders can cooperate with them in a most effective way and promote our mutual interests by continuing their own efforts to secure additional passenger and freight traffic for the Pennsylvania Railroad.

W. W. ATTERBURY,
President

Philadelphia, Pa., April 4th, 1933

THE PENNSYLVANIA RAILROAD

Carries More Passengers, Hauls More Freight Than Any Other Railroad in America

SHIP AND TRAVEL VIA PENNSYLVANIA

Stockholders may obtain copies of the Annual Report from J. Taney Willcox, Secretary, Broad Street Station Building, Philadelphia, Pa.

, Pa.